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THE JOURNAL OF
THE INSTITUTE OF CHARTERED ACCOUNTANTS
IN ENGLAND AND WALES

OCTOBER 1958

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Professional Notes

Expansionism

OVERLAID AND INTERLARDed in vastly different ways, the theme of both the main political parties is now expansion of the economy. At Scarborough current statistics of declining production lent timeliness to the theme for the Labour Party. At Blackpool figures of increasing unemployment and Ministerial warnings of further increases to come (presumably larger than the regular winter ones) gave urgency to the theme for the Conservatives.

While the domestic economic news is dismal, the autumn season of pressure on sterling is now safely over—in fact the seasonal pressure failed to show itself this year. In the first half of 1958 our international accounts

came out £334 million to the good; this remarkable showing is an all-time record. The gold and dollar reserves are reaping the benefit of both favourable trade and greater confidence abroad.

In these circumstances—flagging of the economy at home but strengthening of it internationally—early moves for the further stimulation of consumption and investment are to be expected. Before long Bank Rate may have fallen again and public investment may have been stepped up. Will there even be some taxation relief before April, 1959? Among the eligible candidates, purchase tax probably stands first and income tax next.

Tax Relief on Institute Subscriptions

WE REPORTED LAST month (page 440) that application had been made to the Inland Revenue for approval of the Institute under Section 16 of the Finance Act, 1958. The approval has been granted, by a letter from the Inland Revenue reading as follows:

I have to inform you that the Commissioners of Inland Revenue have approved the Institute of Chartered Accountants in England and Wales for the purposes of Section 16, Finance Act, 1958, and that the whole of the annual subscription paid by a member who qualified for relief under that Section will be allowable as a deduction from his emoluments assessable to income tax under Schedule E. If any material relevant change in the circumstances of the society should occur in the future you are requested to notify this office.

I should be glad if you would inform your members as soon as possible of the approval of the society. The circumstances and manner in which they may make claims to income tax relief are described in the following paragraphs, the substance of which you may care to pass on to your members.

Commencing with the year to April 5, 1959, a member who is an office holder or employee is entitled to a deduction from the amount of his emoluments assessable to income tax under Schedule E of the whole of his annual subscription to the society *provided that*—

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are relevant to the office or employment, that is to say, the performance of the duties of the office or employ-

ment is directly affected by the knowledge concerned or involves the exercise of the profession concerned.

A member of the society who is entitled to the relief should apply to his tax office as soon as possible *after October 31, 1958*, for form P358 on which to make a claim for adjustment of his pay as you earn coding.

Streamlining the Office—

THE OFFICE AND its occupants are very often regarded as overheads making little or no contribution to the efficiency of the organisation. Successive National Business Efficiency Exhibitions have abundantly shown, however, that productivity in industry starts and ends in the office. And it is equally clear that to use economically the aids now available—on view in great profusion at the recent exhibition at Manchester—is a high-level activity. The output of the quill pen was conditioned by the input of manual effort. The output of the electronic computer or mechanical device is governed by the human brain—very often the brain of the accountant.

The apotheosis of the office machine is naturally electronic data processing equipment. But we were continually reminded at Manchester of the sustained, the growing, importance of punched card equipment, mechanically operated, in all types of accountancy work—invoicing, ledger accounts, pay systems, premium collections. And apart from purely financial transactions, punched cards in mechanical systems are extending their applications in dealing with physical units—weights, passenger movements, automatic conveyor control, and so on.

Over a hundred firms shared in the display at Manchester. There were the grand stands at which it would be possible to spend a million pounds and the humble ones where petty cash would be adequate to make a purchase.

Offices were laid out on the conveyor system. Furniture in metal, plastics or wood, for ledger clerks, typists, personal secretaries, executives, was designed as units that link together. Filing and storage cabinets were movable at the touch of a hand,

or even of a finger, giving access to further cabinets behind, so doubling or trebling the capacity that would be afforded by fixed equipment in the same space.

—And a Profusion of Office Aids

TYPEWRITERS ARE MORE varied than ever. Proportional spacing is no longer the monopoly of the electric typewriter: there is a non-electric model with it. An attachment enables three or more accounting documents to be typed simultaneously, so providing a variety of machine accounting for the smaller firms. Noiseless typewriters were much in visual evidence, if not in aural. There were typewriters that produce circulars that are not circulars, but personal letters. Typewriters for automatic letter production by punched tape control. Typewriters that use continuous stationery. Typewriters operating along with an adding machine.

Duplicators can now reproduce quite heavy showcards and are not confined to one colour. Stencil cutters permit photographs, drawings, sketches, to be duplicated with the use of a normal stencil. There were spirit duplicators electrically operated and with magnetic drums, enabling deletions to be made by blacking out with metal strips. Or if you do not want to duplicate you can photo-copy, and in any size, or copy by non-photographic methods.

Recording machines in a dictation pool were a feature of the display. One dictates at a remote point to an unseen machine but can have the dictation read back and can also speak to the transcribing typist. Such systems help to prevent the under-employment of typists of which we write in a later note, and they also cut idle time of equipment.

Filing systems proliferate in improved forms. There were new combinations of supported and suspended files, horizontal and vertical files, diagonal and lateral files, separate and continuous files, revolving and stationary files, open or closed shelving. Many incorporated devices for signalling outstanding matters.

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The 46th Exhibition is to be held at Olympia from May 26 to June 4, 1959.

Simpler Transfer Forms

REGISTRARS AND OTHER officials, brokers and the general public will be grateful to the Chartered Institute of Secretaries for drawing up a simplified form of share transfer. The forms that have been in use were bespattered with unnecessary detail and of archaic layout. The new form cuts out unnecessary detail and allows the information to be set out in logical sequence and with much more clarity. Completion of the form should be an easier task for the ordinary man. Wasted time, correspondence and delay caused by incorrect filling in of the form should be much reduced. Particulars of the parties to the share transfer will be shown in boxes, to which ample space is given—this roominess and the request that the particulars should be either typewritten or put in block capitals should obviate much of the illegibility which has led to many delays.

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Sir Harold Gillett, Lord Mayor-Elect SHOUTS OF "ALL" from some seven hundred and fifty berobed liverymen of the guilds of the City, ceremoniously assembled in Guildhall, brought to Sir Harold Gillett, alderman and Basketmaker, the election as Lord Mayor of London for the coming year. A colourful procession of aldermen, sheriffs and high officers of the Corporation, led by the Lord Mayor, and carrying nosegays of old English flowers, entered the great hall, which by ancient custom had been sprinkled with herbs. Then after the Recorder had told the livery of their undoubted right and privilege to make the election, the Lord Mayor and other aldermen who had passed the chair retired to await the decision. The Common Serjeant read the names of the qualified aldermen. Sir Harold's was the accepted name, Sir Edmund Stockdale's was received with shouts of "next year" and six other names were greeted with "later on." Then the Lord Mayor and aldermen returned to the platform and the Recorder formally announced Sir Harold's election. The Lord Mayor-elect returned thanks, declaring his "great willingness to assume this great office," to which he will be admitted on November 8.

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covers a wider field. Splitting the "banking" item, Mr. Clarke suggests that about £20-25 million comes from credit commissions, £2-3 million from foreign exchange and £3-5 million from other services.

The differences are not great, as inevitably similar sources of information have been used. But there is this wide variance on insurance. Earnings fluctuate widely; for instance, both in 1956 and 1957 there was a loss on the important American business. Mr. Clarke has based his figures on the average rate of underwriting profits since the beginning of the war and as well as including earnings from investments he has added in the retained profits of British insurance offices in America. The Treasury seems to include only profits actually remitted from abroad to insurance offices in this country. Such estimates point to the need for more definite official data, but they help to show that the City earns upwards of £120 million a year. The sum is certainly not to be despised, though the importance of the City cannot be simply measured by the direct profits it brings in.

Auditorially Speaking

AMONG THE PAPERS at the Summer Course of the Institute of Chartered Accountants of Scotland was one by Mr. J. A. Stewart, C.A., on auditing methods and responsibilities.

Nowadays, affirms Mr. Stewart in his introduction, the audit requires more skill than previously. More qualified assistants have to be employed (and they are obtainable only in competition with industry and commerce). As qualified staffs grow, auditing methods and techniques will demand greater attention. Mr. Stewart urges that practitioners should be readier to accept the co-operation of their assistants and should be more receptive to ideas coming from them for better ways of working. He adds that an audit conducted speedily, efficiently and effectively will always justify bringing fees up to an adequate level. But service comes first.

The first section, on methods and responsibilities, discusses the standards of the audit, its scope and

extent, and responsibility for error and fraud. The auditor's first responsibility, Mr. Stewart emphasises, is to evaluate the internal control and to satisfy himself that the procedures are actually operating. His appraisal of the system rules his subsequent procedure. Auditors do not always benefit as much as they should from good internal control, and some construe the term too narrowly: Mr. Stewart quotes approvingly the definitions of internal control and internal check in the booklet on internal audit issued by the Institute of Chartered Accountants in England and Wales.

Auditing methods are much influenced, continues the paper, by the auditor's attitude to his responsibility if he fails to detect fraud. "Despite the limitation of the report, the auditors of companies do not always restrict their examination to the extent they might, because they continue to regard detection of fraud as the primary object." They are influenced by the importance attached by directors to any success or failure in detecting minor frauds. But a bold stand should be taken by auditors: the onus is on the directors to protect the company against fraud by employees. "How they do it is their affair and they cannot delegate responsibility to the auditor." If defalcation does occur, the auditor's liability depends on the effect on the "true and fair view," upon which there could be an effect only if the defalcation were material.

The second part of the paper is on audit planning—appraisal of internal control; types and forms of audit programmes; audit visits; conduct of the audit; the justification, aims, determination and methods of test checks; mechanised accounting; and enhancing audit efficiency.

Mr. Stewart refers to methods adopted in some professional offices in the United States for appraising internal control—particularly the use of a special questionnaire designed to serve as an "internal control check list." He suggests that a standard form might be drawn up here and would have wide application.

The increase of audit work caused by the Companies Act of 1948; the

concentration of financial year-ends on certain dates—notably March 31 and December 31; the trend towards publication of accounts closer to the year-end; all these factors produce an uneven flow of work, and tend to disrupt the organisation of the accountant's office. A rushed audit is not an effective one. Mr. Stewart asserts that, except for the smallest company, the complete audit is an anachronism: traditional methods must be changed to ensure a more even flow of work, to reduce demands on staff and to permit smaller "field forces" being deployed on any particular job.

Suggestions made by Mr. Stewart for increasing auditing efficiency include better planning of jobs, cutting out unnecessary work by reviewing audit programmes, developing a more constructive approach, eschewing "penny accuracy" in stock sheets and the like, and securing the co-operation of company officials and accountants (for instance by the preparation of draft accounts and balance sheet, with supporting schedules, at an early stage in the audit).

How Local Councils Lose Revenue

A CRITICISM THAT some have made of the Local Government Act, 1958—is that it provides for no new source of revenue. There is to be no local income tax or entertainment tax or tax on bicycles. The clamour for fresh ways of gathering revenue may, however, hide some failure to get the most that can already be got from various facilities and services. Charges for baths and wash-houses, allotments, hall lettings, entertainments, and many other facilities provided by the local authorities, vary considerably up and down the country. Some councils charge the maximum that they think the public can bear; others keep the charges very low, on the argument that the ratepayers should shoulder most of the cost as a social service.

Rents for council houses provide a more outstanding instance. Who should meet the losses—tenants or ratepayers?

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tent with the present aspirations of the authorities to financial independence if they made every possible effort to augment their financial resources. The continuous rise in wages and other costs provides reason for increased charges by many of the councils. Many of them have the further justification that charges were last fixed years ago. And the lack of any uniformity among authorities is manifest.

In determining charges for the various facilities there should be considered costs, what the public will (reasonably) bear, and what is being charged for similar services privately in the area or either privately or municipally elsewhere. One doubts whether many authorities fix their charges with much careful study and forethought, and whether review of the charges comes up frequently enough on council agenda.

The Owners of Companies—

JURISTS ARGUE ABOUT the nature of corporate personality: is it based on a legal fiction, as Salmond would have it, or is it indeed something real, with an existence independent of its members, as Maitland followed Gierke in believing? These are high matters directly concerning only a very few; but who in fact are the members of a corporation is a question that has produced confusion of another kind in the minds alike of those who own companies, those who direct and manage them, and the general citizenry of business. Certainly in the small private company there is seldom any such confusion: the owners are at hand and visible. But a larger company is another matter, and the larger the company the harder it is for everyone concerned—shareholders, directors, managers, customers, suppliers, banks—to know who's who.

Now, however, for the first time, published and collated information can be on the desk of anyone who is really concerned to take a major first step in gaining the information for the very numerous sector of companies owned by companies. A newly-published directory* gives

for over 12,000 subsidiary and "associated" companies the names and industrial classification of the public companies that are their parents. (A subsidiary is taken as being owned as to more than 50 per cent. by the parent, an associate as to 50 per cent. or less.) Some specific uses of the directory are suggested by its compilers: financial institutions may use it in following through the ramifications in the control of a group, sales managers in planning a "mailing shot" over a range of industries, those trying to find the cash for death duties in getting ideas about possible buyers of a business. Accountants will readily see other specific uses for this very valuable publication.

—And Bidding for their Power

WHATEVER THE PURPOSE and the means employed in tracing the ownership of a company, it is at least common knowledge nowadays that the owners are the shareholders. The vogue of the takeover bid has helped to hammer home that lesson. Protest they never so vigorously, directors and managers cannot make the final decision, even though their protests have built up a picture of the takeover bidder as an unscrupulous pirate without any interest in the well-being of the business he is buying. There can on occasion be truth in this picture. But more often it is quite misleading, and George Bull and Anthony Vice have done a useful service in providing a "popular" study† of the operations of the great men in the field, Mr. Wolfson, Mr. Clore and Mr. Fraser pre-eminent amongst them. The publishers call the book "a brilliant exposure of the struggle for supremacy." That, like so many publishers' blurbs, does the authors much less than justice: they are fair in their judgments, and the takeover operators come out of the matter very well. That will surprise only those who have taken the too easy popular view: for the most part owners who have sold their businesses have been shrewder than directors who opposed their sales.

Two Resignations from Institute Council

THERE HAVE BEEN two regretted resignations from the Council of the Institute, reported on another page in the proceedings of the last meeting.

Mr. W. G. Campbell, B.A., F.C.A., until this month a partner in Josolyne, Miles & Co., Chartered Accountants, of London, became an Associate of the Institute in 1920, a Fellow in 1929 and a member of the Council in 1947. He has served on a number of committees of the Council and was chairman of the Examination Committee in 1956-57. In 1950-51, he was chairman of the Taxation and Research Committee, on which he had served since its inception in 1942. He has been Chairman of the London and District Society of Chartered Accountants. He has recently become a full-time lay Judge of the Restrictive Practices Court, and has retired from his firm.

The other resignation from the Council was of Mr. G. L. C. Touche, B.A., F.C.A., senior partner in George A. Touche & Co., Chartered Accountants, of London. He was admitted an Associate in 1928, elected to Fellowship in 1934 and joined the Council in 1950. Mr. Touche has been a member of several committees of the Council and from 1956 until last month was chairman of the Finance Committee. He is much interested in investment trusts.

Variable Ideas on Fixed Costs

NORMALLY VARIABILITY OF cost is defined in terms of how it moves with output. In a recent contribution to the debate Mr. E. B. Bishop, F.C.W.A., sets up a different definition: the prime factor determining the degree of variability is cost controllability. Thus, "no cost can genuinely be regarded as fixed and therefore non-controllable if the effective return from it can in fact be controlled by the management of the business." And a variable cost is one relating to an item which (while it still has some direct relationship to the volume or type of trading) is "controllable by management through the amount expended or effectiveness of usage during the period." A fixed cost con-

* *Who Owns Whom* (O. W. Roskill and Co. (Reports) Ltd., 14 Great College Street, London, S.W.1, price £4 4s. net).

† *Bid for Power*. By George Bull and Anthony Vice (Elek Books, London, 25/- net).

sists of a certain amount of committed expenditure the level of which (determined in long-term planning) is alterable only within narrow limits.

The significance of variability is itself said to vary—for example, it is not important to distinguish between fixed and variable costs when making a long-term plan on the capacity of a factory. "The purpose of long-term planning is to fix costs in relation to the incomes from different ventures, in order to decide which alternatives would yield the best return. The purpose of afterwards separating costs incurred between fixed and variable is to ensure that all elements controllable by the business are kept within the levels necessary for the achievement of that return."

But one is not always making long-term plans and within Mr. Bishop's definition, as within the usual one, there lurks for solution, afresh each time one faces any other exercise in actual figures as well as in theory, the problem of the time element—the shorter the time the less the variability of costs.

The method of using the concept of variability proposed by Mr. Bishop differs in three major ways from conventional marginal costing (if marginal costing can be called conventional!)

Firstly, gross profit (or contribution) per cost or profit centre will be calculated by comparing total variable cost of the centre with sales value or transfer price of output in the centre, but fixed costs will also be apportioned to the centres to indicate whether a reasonable rate of net profit is being earned. (A simpler method would seem to be to lay down a criterion of the contribution required—for example, a return of 20 per cent. on capital tied up in the centre—and to use it as a guide to net profit.)

Secondly, all labour is classed as indirect and a centre rate of variable cost per production hour derived. (The technique is dangerous if activities within a centre vary widely in nature—for example, they may include both long manual jobs with low overheads and quicker mechanised jobs with high overheads).

Thirdly, variability of cost is in terms of controllability and not solely of variation with output.

Mr. Bishop, who put forward his ideas in a paper at the recent summer school held by the Institute of Cost and Works Accountants at Cambridge, concluded that even if we cannot do much about preventing that increase in fixed costs which is a feature of our industry these days, we can at least do a good deal about preventing fixed ideas on costing—and he has certainly provided dislodging material.

Retirement of Mr. S. J. D. Berger

AT THE END of last month Mr. Stanley J. D. Berger, O.B.E., M.C., F.C.I.S., retired as Director and Secretary of the Institute of Cost and Works Accountants. Since he joined the Institute as Secretary in 1925, Mr. Berger has seen its members and registered students increase in numbers about twenty times; and for that growth in size, with which has also gone enlargement of activities and development of influence, Mr. Berger may justly take much of the credit.

During the first world war Mr. Berger was commissioned in the field and awarded the Military Cross for conspicuous gallantry at Arras. In the Birthday Honours this year he was appointed O.B.E. Apart from his unflagging and devoted activity in and for the Institute of Cost and Works Accountants, he worked on the British Management Council, has done committee service on education for management and acted as secretary of the team on management accountancy sponsored by the Anglo-American Council on Productivity.

We wish Mr. Berger (whose successor has still to be announced) all happiness in a long retirement.

Wasting Money on the Pools

DO YOU KNOW the cost of having a letter typed in your office? Or a report or other document, or how much of her working day one of the copy typists spends in typing? In very few businesses indeed are even the broadest estimates taken out. Yet a typical letter of a routine kind probably costs something like 9d. to

1s. 5d. to type, a simple form (such as an invoice) between 4d. and 10d., and an elaborate form like an insurance policy up to 12s. A copy typist—not a shorthand-typist or a clerk/typist—may well spend less than 40 per cent. of her time at the machine and may be typing for less than 20 per cent. of the working day, though for a good typist, well supervised under good conditions, the two percentages may reach nearly 90 and 70 per cent.

These figures—and there are many detailed supporting ones—are from twenty case studies of typing pools made by *Production/Engineering Ltd.* for *IBM United Kingdom Ltd.*, which publishes the report in a booklet.*

The average cost of a copy typist, her machine, stationery and other supplies, and office space was £675 a year, varying from £344 to £1,002. About three-quarters of the total was the cost of the typist. Stationery took about one-sixth of the total. It is an extraordinary fact that typewriter ribbons alone for one girl cost more than £17 a year in two of the cases studied.

If output were increased by 20 per cent., there would be savings of between £49 and £127 for each typist. The report discusses ways in which output could be speeded up. They include better supervision and incentives; dictating machines and continuous stationery; the planned arrangement of equipment and design of furniture (arrived at by work study or just commonsense); and the use of electric typewriters.

Shorter Notes

Preparation of Stockbrokers' and Jobbers' Balance Sheets

In our issues of July last (page 326) and May last (page 216) we reported changes in number 79a and the relevant appendix of the rules of the London Stock Exchange, on the balance sheets of members of the Exchange and reports by accountants on the balance sheets. We draw attention to a statement of the Council of the Institute of Chartered Accountants in England and Wales

* *The Cost of Typing*. Pp. 40. (IBM United Kingdom Ltd., 101 Wigmore Street, London, W.1, gratis.)

(page 556 of this issue) clarifying the new rule as it affects accountants to members of the Stock Exchange.

Netherlands "Accountants' Day"

The forty-first Netherlands "Accountants' Day" was held at Scheveningen on September 27. In his opening address Dr. A. Th. de Lange, President of the *Nederlands Instituut van Accountants*, discussed the position of the auditor of a parent company whose subsidiary companies in overseas countries were audited by other firms there. Mr. H. C. Treffers, a member of the *Instituut*, spoke on the valuation of unquoted shares and Dr. G. A. Kohnstamm on the significance of the European Economic Community for the industrial structure of the Netherlands. Mr. W. L. Barrows, President of the Institute of Chartered Accountants in England and Wales, and Mrs. Barrows, with Mr. Alan S. MacIver (Secretary) and Mrs. MacIver, were guests at the Accountants' Day.

Army Pay by Computer

The central pay records for all soldiers are to be kept by an electronic computer to be installed by the Royal Army Pay Corps. Existing paying methods in the units are to be retained but the quarterly statement of each man's account and notifications of adjustments to his pay will be processed by the computer at the central accounting unit. It is expected that the equipment will save the work of 600 men and pay for itself in the first few years. The machine will be installed by *I.B.M. United Kingdom Ltd.*

Cost Accounting Prize

Particulars are announced by the British Boot and Shoe Institution of the Frank Webb Cost Accounting Prize for 1959. A prize of £100 will be awarded for the best thesis and, if the entries warrant it, on this occasion a second prize of a similar amount may also be awarded. Members of the Institute of Chartered Accountants in England and Wales who are not below twenty-five on the closing date for entries and are permanently resident in the United Kingdom are among those who may enter. Theses may be on one of five set subjects or on any other subject at the discretion of the candidate in the field of cost and management accounting. The length should be between 5,000 and 20,000 words and the closing date is December 31, 1959. Full details and entry forms can be obtained from the Institution at 5 Castilian Terrace, Northampton.

Restrictive Practices

The Restrictive Practices Court started its sittings this month, hearing a reference by the Registrar of Restrictive Trading Agreements of the agreement among the members of the Chemists' Federation. Mr. W. G. Campbell, F.C.A., one of the lay Judges of the Court, was on the Bench. The Registrar now has power to take proceedings before the Court on any agreement on his register—not, as heretofore, only on those registered agreements, numbering about 450, that have been scheduled by the Board of Trade. The parties to all registered agreements are therefore on warning that at any time the Registrar may bring their agreements before the Court.

Practical Training for Barristers

Being a pupil in the chambers of a practising barrister for at least a year after being called will be a condition prerequisite to practising as a barrister for those called to the Bar from April next. Cases may, however, be accepted and practice conducted during the year's pupillage. Exemption from the new requirement may be granted by the Masters of the Bench of the barrister's Inn on any conditions they may impose, which may include taking one of the post-Final practical training courses of the Council of Legal Education.

Education of Scottish C.A. Apprentices

The far-reaching proposals of the Lister Committee of the Institute of Chartered Accountants on the examination and training of apprentices have again been approved by the Council of the Institute. The proposals were passed by the Council in February, 1956, but so many changes have occurred since then in the Council membership that it was thought desirable to put them up for approval again, with various minor adjustments made in the meantime. The scheme, a major element of which is that all apprentices should be bound to spend an academic year full-time at a university, was outlined in our issue of May, 1956 (page 163). Mr. R. Ian Marshall, the President of the Scottish Institute, has stated that the prolonged negotiations with the Scottish universities are thought to be nearly concluded.

Options

Option dealings began on the Stock Exchange on October 7, in accordance with the recent decision of the London Stock Exchange, announced in a note in our issue of June, 1958 (pages 277-8). In our note we also discussed

how these dealings operate. Six dealers on the exchange are conducting option business, which in the early days has been quite active.

Scottish Chartered Accountant as Deputy President of F.B.I.

The new Deputy President of the Federation of British Industries is Mr. William H. McFadzean, C.A. From 1927 to 1932 Mr. McFadzean was with Chalmers, Wade & Co. He is now chairman and managing director of *British Insulated Callender's Cables* and other companies in the group.

Solicitors as Men of Affairs

In a world in which the redistribution of income involved more and more people in the complexities of taxation and economics, solicitors must beware of a reputation of being "dry-as-dust theorists" and must become "men of affairs," said the President of the Law Society, Mr. L. E. Peppiatt, at the annual conference last month. If solicitors built their hopes for the future on conveyancing, which had formed the bulk of their business for centuries, then they might find they had been building on sand. He urged members to keep abreast of current thought and modern methods "so that they could give their clients sound advice and not drive them to their accountants and bankers."

Dual Bases of Depreciation

If depreciation is computed for tax purposes on a basis giving a speedier write-off than in the financial reporting, recognition of the deferred taxes should normally be made in the accounts. So recommends the *American Institute of Certified Public Accountants* in a research bulletin just published—reversing the position taken in 1954, when the American Institute affirmed that account need not be taken of the deferred taxes. A change to the use of the declining-balance method for income tax purposes only (the straight-line method being kept for the financial statements), as allowed by the Inland Revenue Code of 1954, has become more general since then than was anticipated.

C.A. has Best Secretary

Chosen as "Miss Secretary, 1958," with a prize of a week in New York and £100 spending money, is Miss Patricia Todd, who is personal secretary to Mr. R. J. Scott, C.A., of Richardson & Lawson, Scottish Chartered Accountants, Glasgow. The firm receives an electric typewriter. The competition was sponsored by *Remington Rand, Ltd.*

EDITORIAL

Quo Vadis?

THOSE outside the accountancy profession who dub those inside it "backward looking" or "conformist"—and let us admit that there are many of these critics—ought to have been in the Royal Festival Hall in London for the Autumn Meeting of the Institute. In the three papers presented, and in the discussion, they would have heard new thinking of a robust kind, ideas probing into the future and challenges thrown down to traditionalism. The adjective to describe these meetings was changed from "autumnal" to "autumn" some years ago, and there was manifestly nothing autumnal about this autumn gathering.

Broadly, there are two large groups of issues facing the profession at this stage. The first concerns the types of work its members are going to do. The second, the ways in which they will organise themselves to do it. There is a third group of problems, authoritatively discussed by Sir William Carrington at the Autumn Meeting—problems of the shape and content of the taxation system of the country. But let us here isolate the two groups of issues that are more peculiarly domestic to the profession.

A major question in the first group: what is the future of auditing? The essence of the practising accountant's job is the audit. In his paper Mr. Henry Benson estimated that auditing brought in some three-quarters of the gross fees in the average accountancy practice. But the duties, as carried out by almost all auditors, are largely "routine and humdrum." Mr. Benson argued persuasively that there must be, that there will be, a change in the auditor's understanding of his vocation: less vouching, checking and detecting minor defalcations, more concern over full disclosure and the prevention of misrepresentation in accounts and over the adequacy of the internal check. In his projection into the future he saw the auditor, as an essential element in the audit, advising the directors or managing director on such things as:

the adequacy of the return on capital, the rate of stock turnover, the suitability of the costing system, improvements necessary in the system of stocktaking and stock control, wasteful expenditure, obvious weaknesses in administration and numerous similar subjects.

The auditor's function would then be a far more positive one and he would be much more knowledgeable about the businesses he audited.

If auditing offers an area of great change in technique and responsibility, management accounting (or "organisation" as Mr. Benson preferred to call it) offers an area of tremendous development for the practising accountant. In advising clients on office mechanisation, on costing, on budgetary control and reporting to management, there is presented:

the greatest opportunity and challenge to the professional accountant which has been open to him for the past fifty years.

Moreover:

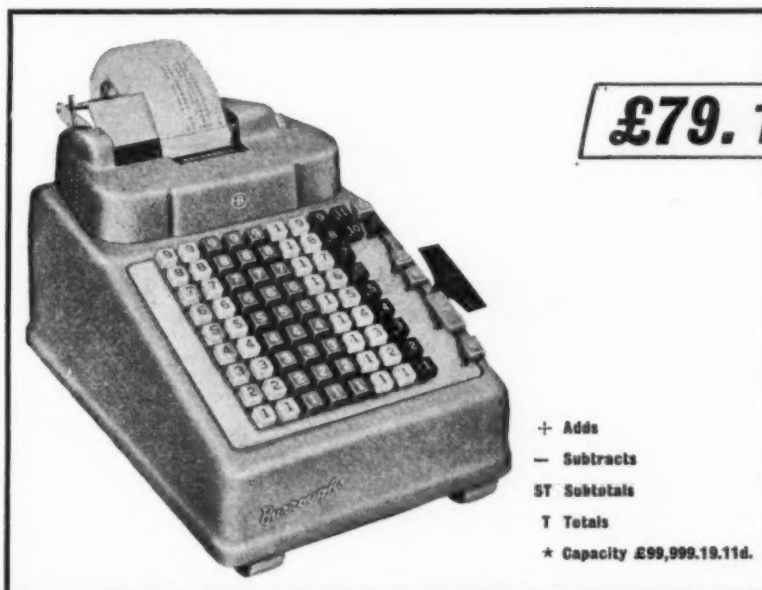
if they are not seized now, it is certain that others will see them and wrest them from us. There are significant signs that this is already taking place.

In his paper on the accountant in industry, Mr. Fea emphasised another aspect of management accounting. The techniques must be continually developed, whether by research or by further applications within industry: we would go further, indeed, and affirm that this development must go hand in hand with the incursion of the practising accountant into the territory. Mr. Fea also urged that the industrial accountant had much to do in the future in furthering the use of electronics in commerce, in helping in operational research and in promoting work study.

The second group of questions concerns organisation. On the side of practising firms, Mr. Benson looked to a growth of specialisation. It might come about by an enlargement of firms—the well-balanced firm, he considered, would have not less than four partners—which would permit specialists in the firm, or firms themselves might specialise. Or there might be both specialists and specialising firms. He foresaw the development of the limited company, probably the unlimited private company, for conducting professional practice (within safeguards), so as to allow the business to have a sufficiency of working capital, despite high taxation.

Mr. Benson was dissatisfied with the education and training of those seeking membership of the Institute, and specified a number of heads under which thought should be given to reform. These various heads will doubtless appear on what is bound to be the very long agenda of the recently-formed Parker Committee. One of the heads may here be particularly noted, because a similar one figured also in Mr. Fea's paper, was enlarged upon by him and is bound up with the crucial issue of what is and what is to be the relationship between the practising members of the Institute and the industrial members. Mr. Benson asked whether the right training was being given to clerks who would enter industry. Mr. Fea wanted a radical change in the articulated service of such clerks—a compulsory period in industry during articles and, to accommodate that period, a further year on the articles—with a greater bias towards industrial and management accounting in their examinations. Now that something like a third of the total membership of the Institute is in industry, what the Parker Committee has to say upon this problem will be of quite outstanding importance.

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The opening address by the President, Mr. W. L. Barrows, LL.D., J.P., F.C.A., at the Autumn Meeting of the Institute of Chartered Accountants in England and Wales, delivered at the Royal Festival Hall, London, on October 2.

The Presidential Address

Introduction

It is most appropriate that the first autumn meeting to be held under the auspices of the London and District Society should be opened by The Rt. Hon. The Lord Mayor of London, who holds a unique position in the public life of this country and the Commonwealth, and we have been greatly honoured by his presence.

As President of the Institute I extend to you all a warm welcome to the twenty-third autumn meeting. Many of you have attended these meetings in the past and will know the value of the friendships made and goodwill created. To those attending for the first time as a result of the successful outcome of the scheme to integrate the Society of Incorporated Accountants with the Institute I extend a special welcome.

The first and only meeting previously held in London was that after the First World War in October, 1921. The late Mr. William Cash presided and he was able to report that the membership had increased to the surprising figure of 5,343. I wonder what he would have had to say if he knew of our membership of over 31,000 today.

At that meeting the late Mr. Ernest Cooper, who was President in 1899-1901, read a paper on *Fifty-seven Years in An Accountant's Office*, and it is interesting for all of us to note that his great-nephew, Mr. Henry Benson, is one of those who is to read a paper to us today.

It will not have escaped your notice that the theme of the papers to be delivered at the business sessions is "The Future." We are all looking forward to the addresses of three very distinguished members of the Institute.

Integration

The most outstanding event affecting the Institute since the last autumn meeting, held in Southport in 1955, is the scheme for the integration of the Society of Incorporated Accountants with the Institute, which became effective eleven months ago today, namely November 2, 1957.

The Press announcement issued at that time stated:

As a result of the schemes the three chartered institutes will comprise within their membership an overwhelming proportion of all accountants in public practice in the United Kingdom and the Republic of Ireland and of those

who have obtained their qualification after practical experience in the offices of practising accountants in the United Kingdom and the Republic of Ireland.

In the report of the Council for 1957 it was stated that 9,346 members of the Society had been admitted to membership of the Institute under the scheme. This number has now been increased to 10,031 comprising 8,188 fellows and associates and 1,843 incorporated accountant members. A total of 2,472 are in practice in England and Wales, 6,118 are not in practice and the remaining 1,441 are not resident in England and Wales.

The total admitted under the scheme is within 260 of the whole of the Society's membership after allowing for those who were already members of one of the three chartered institutes on the effective date and those who have since become members of the Scottish and Irish Institutes.

Membership and Problems Arising

With a membership now in excess of 31,000 the Institute has a tremendous responsibility for the future of the profession. The size of the membership of the Institute is merely indicative of the need for our services. Quality is not measured by size and we must constantly remind ourselves that our strength lies not in numbers but in our character, conduct and competence. The Institute will become bigger whether we like it or not; it will not become better without positive effort by each of us.

Nevertheless, size alone (particularly the increase from 20,000 to 31,000 in the space of a few months) is presenting difficult problems which need earnest consideration by

Owing to pressure on space this month caused by publication of the Autumn Meeting papers and proceedings, we are holding over a number of articles, including the conclusion of Management Accounting by Computer by F. Clive de Paula, F.C.A., F.C.W.A., and J. A. Goldsmith, M.A., A.C.A., A.C.W.A., and a further article in the series Surtax and Companies.

the Council. These problems have added greatly to the task of managing the Institute's affairs at a time when that task was already becoming exceedingly onerous. It would not be unfair to compare the position with that of a practising member working to capacity and suddenly faced with a 50 per cent. increase in clients, or with the position of an industrial business increasing its labour force from 1,000 to 1,500. In such circumstances policies and methods need to be reviewed.

Our most pressing problem, which needs to be solved before many others can effectively be considered, is that of accommodation. For some years we have had to endure increasing congestion at the Institute building in Moorgate Place but the growth in staff and work arising from integration has made it urgently necessary to put an end to makeshift measures. In the Council's last annual report reference was made to the unsatisfactory position and the dispersal of the staff that had become necessary. A committee has been actively pursuing the possibilities in regard to a new Institute building.

There will be many who regret that the Council had to decide to take steps to dispose of the Society's Hall on the Embankment but this was inevitable. We cannot contemplate, as a permanent arrangement, the division of our headquarters into two main buildings. The only other possibility was to retain the Society's Hall for some charitable purpose or amenity use but it is much too valuable an asset for the Institute of Chartered Accountants in England and Wales to show so little regard for financial prudence.

The volume of administrative work arising from integration, both as regards members and students, has been stupendous. The great initial impact is now over and I have been amazed how the staff have managed to deal with it all. A unique operation of great importance has been carried through with very little friction and considerable speed and I pay tribute to all concerned. There are of course some respects, particularly in relation to students and examinations, in which much transitional work arising from integration will continue for many years.

Recruitment—Training and Education

In recent years the demand for boys and girls of a calibre suitable to become chartered accountants has greatly increased and, as is well known, industry, commerce and the State are offering remuneration and bait with which it is very difficult for our profession to compete.

Much time and thought have been given at Moorgate Place to this problem. A little has been accomplished but one of the greatest difficulties is to overcome the ignorance in the schools and universities of what we are and what we do. I earnestly appeal to you all, and particularly in the provinces, to become ambassadors of the profession.

Our booklet *Why not become a Chartered Accountant?* distributed to all members, youth employment officers and public and grammar schools a year ago is, I believe, proving of some value and the district societies are doing very valuable work.

The offices of practising members in England and Wales are our training ground and in future our articulated clerks will include, in addition to our normal recruitment, a substantial number of recruits who would have been articulated clerks or bye-law candidates of the Society if there had been no integration. Some years must elapse before all the consequences of this major change can become evident. Meanwhile, this is clearly the time to embark on a comprehensive review of our arrangements and therefore the Council has appointed, as announced last August, a special committee, under the chairmanship of Mr. W. E. Parker, with the following terms of reference:

To consider the education and training appropriate for entrants to the profession, the existing arrangements and facilities therefor, and the changes, if any, which should be made so as to ensure the provision of an adequate supply of trained candidates suitable in all respects for admission to membership of the Institute; and to make recommendations.

We must all feel grateful to Mr. Parker for undertaking to act as chairman of one of the most important committees ever set up by the Institute. The terms of reference indicate the extensive nature of the inquiry, in which the committee has asked for the co-operation of members of the profession and representatives of other professions, of the universities and educational authorities, and of industry and commerce.

Our profession is essentially practical and that is why the Institute has always attached such great importance to articulated service in the practising member's office. In recent years the universities in England and Wales have shown an increasing interest in accountancy and several of them now have Professors of Accounting. I believe that the profession and the universities can each benefit from closer contact, provided it is well understood that

PAPERS AT THE AUTUMN MEETING

The Future Role of the Accountant in Practice

by Mr. Henry Benson, C.B.E., F.C.A.

The paper is published in full on pages 508-20 of this issue, and the discussion is on pages 546-8.

The Future Role of the Accountant in Industry

by Mr. W. W. Fea, F.C.A.

The full text will be reproduced in ACCOUNTANCY next month. Meanwhile we give a summary of the paper and the discussion on pages 548-51 of this issue.

The Progress of Tax Reform

by Sir William Carrington, F.C.A.

The paper is published in full on pages 520-30 of this issue, and the discussion is on pages 551-4.

academic education in accountancy is more likely to be harmful than beneficial unless those responsible for it are alive to the need for, and are capable of achieving, a proper blending of the tangible and the intangible. An ivory tower is a wasting asset.

Membership of Council

Since the last autumn meeting in Southport, three years ago, there have been great changes in the membership of the Council.

Seven Past Presidents have retired: Mr. G. R. Freeman and Sir Nicholas Waterhouse, who were both members of the Council from 1915; Sir Harold M. Barton, Sir Bernhard H. Binder, Mr. C. W. Boyce, Mr. A. S. H. Dicker and the late Mr. Gilbert D. Shepherd. The great man Gilbert Shepherd died in harness in June but the others are fortunately all fit and well. Members owe these leaders of the profession an immense debt for the work they have done over many years in maintaining and enhancing the reputation of our Institute.

There have been eight other changes in the three years and, of course, the Council has had the pleasure of welcoming the ten additional members of the Council appointed under the Scheme of Integration. It will thus be seen that out of a Council of fifty-five only thirty have been members of it for over three years. In fact only sixteen members of the present Council were serving ten years ago and if we go back twenty years—which is only just pre-war—there are only three.

These figures need to be emphasised because my impression is that members generally do not realise the remarkable way in which the Council membership undergoes a continuous process of change through retirements and deaths. Perhaps I may be permitted to mention here that the work of Council members is voluntary and I think members generally would be astonished if means could be found to illustrate how much service is given so freely on their behalf. I am tempted to suggest that the annual report might show the aggregate fees which would be charged for the year by Council members if the Institute were a chargeable client. The lady with the rudder and the scales must be the hardest mistress in all history.

Public Work of Members of the Institute

This is the occasion on which reference can be made with pride to the public work undertaken by members of the Institute. Many members have been appointed by Ministers to councils and committees of inquiry and it is impossible to make reference to them all. The outstanding services of Sir William Carrington in the field of taxation have happily been recognised. Sir Harold Howitt has become even more famous as one of "The Three Wise Men" comprising "The Council on Prices, Productivity and Incomes." The Committee of Inquiry into "Coal Distribution Costs in Great Britain," under the chairmanship of Sir Thomas Robson, has, as one would expect, produced a report which is a model of its kind and should be read by all who are interested in good English and fine drafting.

The examples I have mentioned are merely a few of the

great many ways in which members of the Institute respond to requests to render public service not only in matters of national interest but also in local government and other civic affairs. The demand for the services of members in this way is a recognition of their ability, because of their training and experience, to examine a situation impartially and distinguish the significant from the insignificant. It is also a recognition of the fact that the objective of a great deal of our training is to teach us to express an honest opinion on the facts placed before us and to know what we need to do before we are in a position to express our opinion. Opportunities for public service are bound to increase and I hope that the ever-increasing burdens which we all seem to have to carry will not reduce unduly the number of members who are prepared to respond.

Relationship with Countries Overseas

A year ago, in September, 1957, the Seventh International Congress of Accountants was held in Amsterdam. Some seventy accountancy bodies from forty countries were represented and this must surely be an encouraging reflection in these days of international tension. Such congresses provide ample evidence that throughout the free world the problems of the accountant are basically similar to those we know so well in this country. There could be no more forceful demonstration of the importance of maintaining the greatest freedom between accountants of all countries for the exchange of knowledge and experience. To a limited extent this can be achieved through friendly relations between accountancy bodies, but that is not enough. In the past the world development of the profession has been impelled and guided by the skill and devotion of the individuals who carry on the work of the profession. If future development is to be assisted in the same way it is essential that all countries should adopt a liberal attitude towards world freedom of practice rights for properly qualified accountants.

Our profession exists to provide essential services for industrial, commercial and financial enterprises wherever they may be carried on. These enterprises should not be hampered in their choice of accountants by artificial barriers based on nationality and other factors which are unrelated to the ability of the accountant to provide the service required. Your Council has repeatedly expressed its belief that the ideal arrangement is reciprocity, in all parts of the world, of the right to practise under the professional designation which the individual accountant has obtained by suitable training, experience and examination, without restrictions on the right to enter into partnership or agency arrangements with properly qualified accountants whatever may be their country of residence.

Throughout its history of nearly eighty years our Institute's regulations have been consistent with that belief. What we require of the would-be member is a good standard of general education, appropriate practical training under articles, integrity and the passing of our examinations. We are not concerned with the flag he

salutes and when he becomes a member we do not place him under any disability in regard to practice rights merely because he or his partners reside in some other country.

In Amsterdam the Institute was represented by some 180 members, who are most grateful for the cordiality of their hosts in the Netherlands. Our representation was by far the largest of any body other than the Dutch sponsoring bodies and the strong interest thus shown by our members was in keeping with the part they have taken over the years in the development of the profession throughout the world. It is our earnest hope that we shall not be prevented, by artificial barriers, from continuing to take part and assist in that development.

Considerations of time and expense will no doubt limit the size of the Institute's representation at the Eighth International Congress in New York in 1962. It is, however, most important that we should be represented in New York as well as is practicable, bearing in mind the great contribution which the Americans make to accounting thought and practice. Many of us will remember the wonderful support which they gave to the Sixth International Congress in London in 1952 and we value the friendships then formed.

Professional Topics

(a) *Economics of a practising accountant's office*

As a practising accountant in the provinces I have had painfully to face the fact that our income from fees has not been keeping pace with our rising costs. In the post-war years there has been a tremendous change in the social structure of this country and whatever our views about it may be it has brought about one result from which as practitioners we cannot escape, namely, that it now costs a great deal more to conduct our practices.

In our efforts to acquire and retain staff of the right calibre we are, as I indicated earlier, in competition with industry, commerce and the State. We cannot always match the terms offered by our competitors but even if one ventures into the field of benefits in kind no further than luncheon vouchers the addition to the annual expenses of even a medium-sized firm is a startling amount.

Moreover there used to be a generally accepted division of responsibility whereby it was the duty of an articled clerk's principal to train him and the duty of his parents to maintain him. Nowadays we are expected to assume the dual responsibility. The inevitable result has been that the cost of training new qualified men has increased rapidly and the benefit of this goes in many cases to our clients, who have a habit (which I do not deplore) of engaging many of the best men we have trained. As Mr. Benson points out in his paper for this meeting, specialisation has come to stay but this costs money.

It is clear from inquiries which I have made that our clients as a whole have not appreciated how the impact of rising costs has hit the practitioner. Many of us dislike asking for more pay but the time has come when it is essential for fees to be raised substantially if the standing

and work of the profession are not to deteriorate. You will remember that at the Institute's annual meeting this year the Council was obliged, for reasons explained in the annual report, to ask members to approve of substantial increases in the scale of membership subscriptions as from January 1, 1959. In doing so the Council drew attention, *inter alia*, to the fact that since the previous revision of subscriptions eight years ago there has been an increase of about 45 per cent. in price levels. Bearing this in mind, together with the fact that the major item of cost for a practising accountant is the remuneration of his staff, there can surely be no practical difficulty in demonstrating the position to our clients. When our clients' profits are declining they do not take kindly to any suggestion for increased fees, but we must overcome our natural reluctance to raise the matter.

(b) *Technical documents*

I had hoped that the new *Members' Handbook* would by now have been in the hands of members but unfortunately this has not proved possible. The distribution will take place during the present month. The contents will not be by any means complete for the initial issue but we shall proceed steadily with the issue of further sections as and when they are ready, and perhaps the intervals will be useful in allowing a reasonable time for digestion.

When it is first issued one section of the handbook will contain the Council's recommendations on accounting principles. These include two new recommendations not previously published, number 18 on *Presentation of Balance Sheet and Profit and Loss Account*, and number 19 on *Treatment of Income Tax in Accounts of Companies*. They are consolidations and developments of earlier recommendations which they now supersede. These are two documents of considerable importance which I recommend you to study carefully as soon as they are in your hands.

Recommendations 18 and 19 are two of the matters which the Council had in mind when it expressed the hope in the last annual report that the work done on a considerable number of technical subjects currently under consideration would lead to the publication of recommendations or other suitable statements during 1958. Another of the matters then in mind was the statement on *Accounting by Electronic Methods*, published last July. This, too, will appear in the new handbook when first issued but for the benefit of those who have an immediate interest in the subject it has also been available since July in the form of a booklet obtainable from the Institute at 2s. 6d. per copy.

If all goes well there will be a steady flow of new technical documents and in the absence of special circumstances they will be distributed in the form of additional matter for insertion in the appropriate part of the handbook.

The present stockpile of unfinished documents is the result of a great deal of work over a period of some years, progress having been slowed down because of the overall volume of activity, including the preparation and implementation of the integration scheme.

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(c) Research

The Institute's Taxation and Research Committee is a hard-working body which receives very little publicity. Its membership is representative of the whole of England and Wales and of members in industry and commerce as well as of those in practice. Without the tremendous assistance of this committee it would not be possible for the Council to contemplate the issue of recommendations and other technical documents on the scale which has been achieved since the committee came into existence in 1942.

The committee is also responsible for the bulk of the drafting work on memoranda which the Council submits to government Departments and special committees. As examples I would mention the rapid and detailed examination of the Finance Bill each year to enable the Council to make submissions to the Chancellor of the Exchequer; the memorandum submitted in February last year to the Board of Inland Revenue giving the Council's suggestions as to the order of priority for implementing the recommendations of the Royal Commission on Taxation of Profits and Income; the memorandum submitted in 1956 to the Bankruptcy Law Amendment Committee and the evidence given to the Committee on Cheque Endorsement. These are merely examples. A glance through the annual reports for a number of years will show how much is owed to the Taxation and Research Committee.

I think we can properly regard our annual summer course as a form of research. Excellent papers are prepared and then thrown to the tender mercies of the discussion groups. It is impossible to attempt to describe what these discussions mean to those taking part. It is enough to say that they are without doubt of the greatest value in stimulating serious thought and enabling experiences to be exchanged by members from all parts of the country and in all kinds of occupations.

I have no hesitation in saying that the commencement of summer courses in 1947 and the formation of the Taxation and Research Committee in 1942, resulting in the issue of recommendations on accounting principles and other technical publications, have been by far the two most valuable steps taken by the Institute in establishing and implementing a policy of giving positive assistance to members in their task of maintaining, improving and extending the services provided by the profession.

(d) Non-practising members

Mr. Fea in his paper will be making reference to the large number of members who are engaged in industry and commerce. I believe that the vast majority of these are not dissatisfied with the way in which the Council attends to their interests as members. The formation of the Non-practising Members' Consultative Committee in November last under the Chairmanship of Mr. L. C. Hawkins, a member of London Transport Executive, is however an important step in providing, as it does, another channel for those who may wish the Council to consider some particular problem affecting members in industry or commerce. Having sat on this committee I am con-

firmed in my opinion that basically a member of the Institute, whatever he does, is a member of the accountancy profession: his problems and interests are the same whether he is in industry or commerce or in practice. It is most appropriate that Mr. C. W. Aston, the chairman of the autumn meeting committee, is a member of this new committee as a representative of those in commerce and industry.

District Societies

Integration has brought about a substantial increase in the membership of district societies and their branches. Their total membership at December 31, 1957, was 9,253 and by May 31, 1958, this had risen to 14,674, an increase of over 5,000. This increase has of course been on a voluntary basis as there is no "automatic membership" of our district societies.

An increase in the number of branches and groups of district societies will, I think, be one of the results of integration, because some parts of the area of a district society will now have enough potential members to justify the formation of a branch or group. A noteworthy development in this respect is in the area of the London and District Society which has just established branches in the Luton and Oxford areas: there may be more to come. The Liverpool Society has seized upon the stroke of the pen by which for Institute purposes the Isle of Man became part of England and Wales on November 2, 1957. A branch of the Liverpool Society has been established there.

An association of members has been formed in Jersey and rumour has it that there was some competition among district societies in the South of England to act as the foster-parent. It is to be hoped that annual dinners of the association will be held at a reasonable time of the year—preferably when the President of the Institute is not too heavily committed elsewhere. These insular developments will not, I trust, give rise to any difficulties over fishing rights.

The development of district societies will be reflected in students' societies over which they exercise a parental influence, varying no doubt according to the parent and to the child. The number of articulated clerks prior to integration was about 7,000: it now exceeds 10,000. Some of the smaller societies will find a useful addition to their membership, making it possible for them to provide facilities not hitherto possible. All students' societies—and district societies too—should find this increase in membership a challenge to them: indeed in the largest societies problems of accommodation alone could bring embarrassment. There are today twenty-six students' societies, with signs of a new addition in Lincoln and South Lincolnshire. The number is bound to grow as a result of integration and this will provide more opportunity of making facilities available to groups of students in some parts of the country where the "distant" student is still a problem.

The Accountant as a Director

The practice of one of the daily papers is to feature the

names and qualifications of directors of public companies which are publishing their reports. This has brought into the limelight the fact that a large number of companies have a member or members of the Institute on the Board of directors.

Some of our members make it a rule that no partner in the firm shall accept any directorship and this is entirely appropriate and desirable in the circumstances of some firms. In the circumstances of other firms however, the acceptance of directorships may be wholly consistent with the partners' other responsibilities and no difficulty whatever may need to be envisaged in the shape of conflict of interest, or apparent conflict of interest, between the firm's functions as auditors of companies and those of its partners in their capacities as directors of other companies. My own view is that over a great area of industry and commerce, particularly in the small and medium-sized concerns, our practising members who act as directors are providing a service which business men need and demand.

I believe that by the very nature of his training and wide business experience a chartered accountant can be of real value to his colleagues on the board of a company when questions of policy have to be decided. It is up to us to create that atmosphere of confidence in our integrity and judgment which makes our views and opinions of value

in the conduct of business enterprises. At the same time let us be humble and realise our limitations.

Conclusion

Many of you who visit the City will have noticed that for the first time the front of our beautiful Institute building can be properly seen. The demolition of the building opposite has been going on for months with resulting noise, dust and inconvenience which are almost indescribable. The staff of the Institute, led so ably by our secretary, Mr. Alan MacIver, and augmented by nearly the whole of the Society staff, have had to suffer, and continue to suffer, this bedlam. On your behalf I pay tribute to them for their forbearance and for a wonderful job, carried out with striking ability and patience, in connection with integration which had to be superimposed on their normal work. We are extraordinarily well served.

I conclude by thanking you for your kindness and courtesy in listening to me. Let us hope that you will take as fair a view of my address as of the show many of you will be going to see tomorrow night.

Finally I wish to state how deeply sensible I am of the honour that I enjoy in being asked, as your President, to make the opening address at this twenty-third autumn meeting.

A paper given at the Autumn Meeting at the Royal Festival Hall, London, on October 2.

The Future Role of the Accountant in Practice

By Henry Benson, C.B.E., F.C.A.

Introduction

1. I was brought up to believe that it was dangerous for a professional accountant to prophesy, particularly if he did so in a document which could become public property. I hope, therefore, that the Investigation Committee of the Institute will read this paper with an indulgent eye. Another disadvantage of prophecy is that one may have the humbling experience some years hence of looking back and realising how grossly one misjudged the future. For both these reasons I would like to stress that the following thoughts are my personal views only, and in no sense do they represent the official views of the Institute or those of my partners and my firm. Verily, I am also aware that no prophet is accepted in his own country. I should perhaps add however that I have been at pains to seek the views of a number of practising accountants both in this country and abroad and I find that there is support for many of the views expressed in this paper.

The Origin of the Profession

2. Before gazing into the future to see what the role of

the practising accountant might be, I have thought it wise to spend a little time looking back over the past. The practice of an accountant as it exists today is comparatively recent. It is probable that accountants first began to practise on any scale in the City of London from about the year 1830 or 1840 and from that time forward until about 1880 the great bulk of their business was concerned only with bankruptcy, liquidations and receiverships. Indeed, Ernest Cooper, who was President of the Institute from 1899 to 1901, in writing of his recollections of the position when he first went to the City in 1864, wrote as follows:

We could hardly, South of the Tweed, claim to be a profession. There was absolutely no organisation or co-operation, no Institute or Society, no examinations, very few articulated clerks, no newspaper, no library, no benevolent fund, and not even a dining club or golf club. Our social position was not enviable. We may disregard the then current gibes, that if an accountant were required he would be found at the bar of the nearest tavern to the Bankruptcy Court in Basinghall Street, and that an accountant was a man who had failed in everything else—for there was a

goodly number of honourable men of standing and repute who followed our calling. But an accountant was regarded as associated with and dependent upon insolvency, and I well remember that to be seen talking to or having your office entered by an accountant, was to be avoided particularly in the stressful times of 1866.

3. The Bankruptcy Act of 1869 kept the accountants of those days busy but fourteen years later, in 1883, there followed the Bankruptcy Act which established, for the first time, the office of Official Receiver and this led to a great reduction in insolvency business for the professional accountant. In the meanwhile, however, the joint stock or limited company principle of business administration had been gaining ground. This provided an increasing volume of work for accountants and more than anything else helped to establish the position and strength of the profession. The joint stock movement was given impetus by the Companies Act of 1862 and then in 1879 and 1900 two further Acts were passed, the former requiring banks, and the latter every company, to employ auditors.

4. In the last sixty years, therefore, the profession has grown and flourished on the practice of auditing and, until comparatively recently, by far the greater part of any accountant's business was concerned only with auditing and, in the smaller firms, in writing up books and preparing annual accounts for clients. In the last forty years there has been an increase in taxation work on behalf both of private clients and limited companies, while more recently still the accountant has begun to be identified in the mind of the public with work in a number of other fields such as investigations of every description, organisation, costing, management accounting, trustee work, secretarial and registration work.

The Development of Auditing

5. The present strength of the profession has therefore been founded upon the practice of auditing which has been undergoing continuous development since the beginning of the century and has been greatly helped by the Companies Acts of 1908, 1929 and 1948. Although there are many other services which an accountant can perform, I believe that auditing, and the accountancy work which goes with it in the smaller practices, will still provide for very many years to come the largest part of an accountant's practice. There are no figures available to prove it but I estimate that at present this type of work provides between 70 per cent. and 80 per cent. of the gross fees of an average business conducted by a practising accountant.

6. There are some figures which may be of interest in this connection. The total number of companies on the registers in Great Britain at the beginning of the years shown was as follows:

			<i>Approximate paid-up capital £ million</i>
1927	..	101,000	4,700
1937	..	148,588	5,800
1947	..	217,807	6,000
1957	..	306,610	7,000

The figures of paid-up capital shown above do not by any means reflect the real growth of the funds invested in these companies because they do not include the enormous sums representing share premiums, capital and revenue reserves. In the past thirty years the number of companies, all of which require auditors, has increased threefold. Approximately seventeen thousand new companies are registered every year and if deductions are made for companies which are dissolved or struck off, the net increase is about ten or eleven thousand per annum; in fact for the year 1957 the figures were somewhat in excess of those just given. Apart from limited companies there is also of course a substantial volume of business in the shape of auditing and accountancy work for the nationalised industries, local authorities, clubs, societies, charities, sole traders and partnerships. Only about five thousand companies have a quotation on the Stock Exchange, London, so that the overwhelming majority of the three hundred odd thousand companies on the registers are private companies, or public companies only in the technical sense, as their shares are not quoted.

7. I see no reason why this growth in the number of limited companies should not continue. Looking forward over a period of twenty or thirty years, it seems to me inevitable that the great bulk of the work of a practising accountant will still be in the role of auditor. That will continue to be the backbone of his business and it will still provide the bulk of the practical experience which an articulated clerk receives during his period of training. This is both a strength and weakness to the profession. Auditing provides a solid, steady and reliable business which gives security and stability to the practice of an accountant. Moreover, the basic training of an auditor establishes principles which can be applied with success in most forms of industrial and commercial enterprise. Nevertheless there are weaknesses in this situation because an over-emphasis in auditing, which largely comprises checking the work of other people and is concerned with the past rather than the future, tends to narrow our point of view and dull our sensibilities and does not always stimulate us to be imaginative and constructive.

The Basic Purpose of the Audit of the Future

8. Although auditing will provide us with the bulk of our work I would like now to take the first plunge into prophecy about the future and say that the profession's approach to auditing must undergo some radical changes in the next few years. Auditing at the present time is still too often based on the principle of examining the books and records as they are and checking or testing them to verify their accuracy. This is sought to be accomplished by varying degrees of routine work in the shape of vouching, the verification of additions and postings, and a concentration on arithmetical accuracy and the detection of minor frauds by the company's officials. It is still the belief of a large number of clients by whom we are employed that our main task is to verify that cash has not been stolen, that the books balance and are arithmetically correct and that the technical requirements of

the Companies Act have been met. This attitude of mind both by the auditor and by the client is particularly manifest in some parts of the British Commonwealth. If we continue to approach an audit in this light, I do not think we shall continue to hold the respect of the business community. It is work of a routine character which is costly to the clients and achieves very little; clients will not be willing to continue to pay audit fees for this class of work or this type of approach.

9. The present and future approach of an auditor should, I think, be a different one. His task should be firstly to find out whether the accounts show a true and fair view and whether there has been disclosure of all the information which is necessary to enable shareholders (and in the case of quoted companies, the investing public) to understand the position. Secondly to prevent fraud or misrepresentation, though in this respect the character of the word "fraud" has changed in that the emphasis is not on the detection of defalcations by the company's officials but on fraud by misrepresentation in the annual accounts. Thirdly to devote a large part of his work on the audit to the adequacy or otherwise of the company's system of internal check.

10. This approach to the audit is perhaps more manifest in the United States than it is here at the present time, and it is interesting to quote from the Codification of Statements on Auditing Procedure issued by the American Institute of Accountants in 1951. The words in italics appear in that form in the original document.

The ordinary examination incident to the issuance of an opinion respecting financial statements is not designed *and cannot be relied upon* to disclose defalcations and other similar irregularities although their discovery frequently results. In a well-organised concern reliance for the detection of such irregularities is placed principally upon the maintenance of an adequate system of accounting records with appropriate internal control. If an auditor were to attempt to discover defalcations and similar irregularities he would have to extend his work to a point where its cost would be prohibitive. It is generally recognised that good internal control and surety bonds provide protection much more cheaply. On the basis of his examination by tests and checks, made in the light of his review and tests of the system of internal control, the auditor relies upon the integrity of the client's organisation unless circumstances are such as to arouse his suspicion, in which case he must extend his procedure to determine whether or not such suspicions are justified.

At least one leading firm of accountants in America writes to its clients on acceptance of an audit making it clear that the audit is not designed, and cannot be relied upon, to disclose defalcations and other similar irregularities. In this country too, some of the larger and more enlightened industrial companies have realised that it is a physical impossibility for the auditor to spend time in detecting minor defalcations and they would not seek to hold him liable for negligence if he failed to discover them.

11. I think it is the duty of the profession in the future to establish the principle that it is the task of management to install an adequate system of accounting and internal check to ensure that the company's assets are properly

safeguarded. This can be done by a properly designed accounting system, the use of mechanical aids, good administration, fidelity insurance, the careful allocation of duties among the staff and the prompt preparation of figures and statistics which highlight the important features of the business and show whether anything is going wrong. In the larger companies an internal audit department is often established which helps to carry out these functions. If the profession is successful in getting this principle firmly established it means that the external auditor will be free to devote the greater part of his time on the audit in finding out what the system of internal control is and making tests to see that it is functioning properly. He will be able to concentrate on discovering the weak spots and helping to correct them. These are skilled jobs which can only be carried out by experienced staff. It will be the auditor's task to report to the management if the system of internal control laid down is unsuitable or ineffective. In this way the auditor can show considerable initiative and play a much more constructive part than he does at present; he can be of real help to management.

Stock in Trade and Work in Progress

12. The next big change in audit practice must be in relation to stock in trade and, taken as a whole, I doubt whether our audit standards in this respect are high enough. For a long number of years too many of us have sheltered behind some of the passages in the judgment on the *Kingston Cotton Mill* case which was delivered in 1896, and quite insufficient attention has been given by auditors to the verification of the existence and the value of stock in trade and work in progress. Some auditors, even to this day, take no responsibility for stock and rely solely upon a certificate by the managing director. In my view this is indefensible and an auditor cannot properly sign the audit report required under the Ninth Schedule to the Companies Act if he has not taken proper steps to verify this asset.

13. The auditor's failure to ensure that stock and work in progress is properly taken and valued for the purpose of the annual accounts has in many instances caused this asset to be wrongly stated. Not infrequently this leads to enquiries by the Revenue authorities and to costly and troublesome back duty investigations. Very often, moreover, when a private business is ready for flotation as a public company, the examination of the profits for past years shows that stock has not been properly valued with the result either that the issue has to be postponed or the investigating accountant's report has to include a damaging qualification. At present the auditor may or may not have a legal responsibility when situations such as these arise, but whatever the legal position he is certainly open to criticism in that he has failed to advise and guide his client wisely in matters which are essentially within his province as auditor. The time will inevitably come in the next few years when the auditor's duties in relation to stocks are again tested in the Courts. When this happens it will be impossible for any member of the profession to come to the aid of a colleague whose defence is based

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primarily on the acceptance of a certificate given by the managing director as to the existence and value of stock in trade and work in progress.

14. In those cases in which auditors do verify stock and work in progress, I suggest that the tests normally applied in this country should go further than they do at present. I think that the auditors should watch the annual or periodical stock-taking made by the company's officials. This is one of the best means by which the auditor can satisfy himself as to the physical existence of the stock and it is an admirable means of testing the system of internal check under which the stock is taken; of ensuring that all stock is included; and of verifying that slow-moving obsolete and redundant stock is properly excluded or written down to marketable values. If, when it is done, this observation of stocktaking is done thoroughly, I do not think that it need be carried out every year and it would be adequate in normal cases to do it once every four or five years.

The Auditor's Functions in the Future

15. In 1953 the Institute of Chartered Accountants submitted a memorandum indicating the manner in which auditors could assist Parliament to exercise some supervision and control over the activities of the nationalised industries. This memorandum was published in the Report and Accounts of the Institute of 1953 at page 57. It has, so far, passed comparatively unnoticed, but if it is studied by the members of our profession, it will be seen that the conventional conception of an auditor's duties has changed. The document should of course be read as a whole, but I set out below paragraph 8. Certain limitations in the terms of reference proposed in paragraph 8 were contained in paragraph 10 of the document, but for my present purpose I have not thought it necessary also to reproduce the latter paragraph.

8. The terms of reference might be as follows:

"It shall be the duty of the auditor to submit, as soon as practicable after he has completed his normal audit report, a supplementary report upon any matter of a material or substantial character which may have arisen under the following headings even if already mentioned in the audit report:

- (a) If, in matters of finance, the undertaking has not complied with the directives issued to it by the Minister, or other higher authority, to whom it is responsible, or with the provisions of the Act which controls or governs its existence. This section of the report should include appropriate comments as to the manner in which the undertaking has discharged its statutory duty to ensure that, taking one year with another, its revenues shall be not less than its revenue outgoings, and as to the amount and source of the funds available to meet the prescribed rates of interest on advances, if any, from the Consolidated Fund and to repay those advances within the prescribed period.
- (b) If Government grants or subsidies have been given on the basis of estimates furnished by the undertaking and the subsequent results have differed materially from the estimates.
- (c) If the accounts have not been drawn up so as to show clearly and fairly the results of the operations of the

undertaking and, where appropriate, the effect of subsidies thereon.

(d) If, in the ordinary course of the audit, the auditor has formed the opinion that there is a *prima facie* case for further investigation into any of the following:

- (i) Lack of proper administrative and financial control of revenue, expenditure (including purchasing procedures), assets and liabilities.
- (ii) Substantial capital expenditure incurred which was intended to be productive but which had not proved productive or upon which an adequate return has not been received.
- (iii) Expenditure incurred which is of an extravagant or wasteful nature judged by normal commercial practice and prudence.
- (iv) Any other matters concerned with the financial administration of the undertaking which may be worthy of special comment.

In making his supplementary report the auditor will not normally, in the first instance, be expected to make exhaustive investigation of the foregoing matters. Any detailed enquiry and report required from the auditor would be a matter for subsequent specific instructions."

16. I do not think that the specific terms of reference given in that memorandum have, so far, been applied in their entirety to any nationalised industry but I know of one Government department which has already gone some distance along that road as regards the undertakings under its care. The memorandum applies specifically to the nationalised industries but it indicates a trend, which I am seeking to emphasise in this paper, of which we should all take cognisance. As time goes on I think that the public will feel the need for auditors who are prepared to express a view on the matters listed in the memorandum rather than on the routine and humdrum aspects of auditing to which we have devoted so much of our attention in the past.

17. If the changes in an auditor's work to which I have referred come to pass, it will mean a considerable change in an auditor's outlook and his approach to his work. It will no longer be possible to send staff round to clients' offices to take the books as they find them and apply such tests as appear to establish that the entries are correct. The audit staff will first have to find out all about the business of the company and whether the system of control and internal check, as laid down by the management, is adequate from the time that raw materials are first ordered until the finished product leaves the factory gate. When the partner attends the final discussion with the board of directors or the managing director before signing the accounts, he will be expected to point out weaknesses in the system of internal control, and to deal with matters such as the adequacy of the return on capital, the rate of stock turnover, the suitability of the costing system, improvements necessary in the system of stock-taking and stock control, wasteful expenditure, obvious weaknesses in administration and numerous similar subjects upon which he should be able to give helpful advice. This requires a much higher degree of skill on the part of the auditor and a wider knowledge of commercial, industrial and manufacturing processes. It must also cause us to wonder whether our present system of training

articled clerks and newly-qualified members of the profession will have to undergo some alterations.

The Appointment of Auditors

18. Another change which I think may take place as regards the practice of auditing is the method by which the auditors are appointed. This is laid down in specific terms in the 1948 Companies Act, but it is thought by some that the Act gives perhaps too much protection to the auditor. It is important that it should be made difficult for unscrupulous directors to get rid of auditors who have done their duty, but on the other hand too great a security of tenure leads to complacency. I mention the point because it is a trend of thought of which we should take notice.

The Effect of Electronics on Auditing

19. Many of us are wondering what the effect of electronics will be in the methods of conducting an audit but it will be some years before this development can be seen in its right perspective. The installation of the machinery is expensive and much research and planning work has yet to be undertaken before electronics can be used for book-keeping and accounting purposes except by large undertakings. If my conception of auditing of the future is the right one under existing conditions, it seems to me that it will be of even greater importance when books and accounts are recorded electronically, for the reason that there will be far fewer individual entries in the books physically to be seen or verified, and it will be all the more necessary for the auditors to concentrate on the system of internal control.

Other Types of Work

20. I have dealt with some of the changes which seem to me probable in our main business of auditing and I would now like to consider what other types of work are open to us and what changes may be expected in each of them.

Taxation

21. Although our profession has been built on auditing, taxation work has become of increasing importance in the last forty years. I suspect, from such discussion and enquiry as has been possible, that in terms of gross fees taxation work represents about 10 per cent. to 20 per cent. of the practice of an average accountant though I have no reliable statistics to support this belief.

22. I would like to digress for a moment at this point to say that comparatively few firms of accountants appear to analyse their gross fees as between the various classes of work or to ascertain the profit or loss on each job as it is completed or to find the proportion of the total profits which is derived from each class of work. I do not think that a professional accountant can run his business to the best advantage without this information; this comment lends point to some later observations I wish to make on the profession's attitude to costing generally.

23. Taxation work is likely to grow. The Schedule D assessments made by the Revenue authorities in Great

Britain now total between three thousand and four thousand million pounds per annum all of which have to be handled as far as the taxpayer is concerned either by accountants in practice or in industry. The Schedule E assessments amount to over nine thousand million pounds and many of them are handled by professional accountants.

24. The complications of taxation are unlikely to diminish. Indeed, as far as limited companies are concerned, it is no longer possible to consider any proposal on any subject without first considering the taxation position, and in a great many cases, taxation considerations finally determine not only the form in which the transaction should be carried out but the nature of the transaction itself. The task of keeping up to date with legislation and case law decisions is a job for a specialist. It is scarcely possible for a professional accountant to give expert advice on taxation matters unless he spends the whole, or the greater part, of his time on taxation work keeping up to date not only with the theory but also with the many variations which are possible in practice. This means inevitably that in any practice, other than the smallest, it will be essential to have one or more taxation specialists who concentrate on this type of work. As the practice grows, these specialists will in time have to be split as between those who deal with the taxation of private individuals and those who deal with specialised problems of industrial and commercial companies. Many accountants organise their businesses on the principle that staff and partners should deal with all the various classes of work which the firm undertakes. I do not think that this system can survive. Taxation exemplifies more than anything else my belief that it is a task for a specialist and that unless an accountant in future organises his business into specialist departments he will fail to give the best service to clients; this is one of the main themes of this paper.

Organisation

25. There is another big field open to the professional accountant, almost unexplored, which I shall refer to by the all-embracing term of "Organisation." I think that our forebears must have believed that sooner or later this would be one of the services which the professional accountant would perform because the word is shown prominently in one of the stained glass windows which adorn the stairs of our building in Moorgate Place.

26. Organisation can cover many fields of activity but I use it specifically in relation to three things. Firstly the physical methods by which financial transactions are recorded. Secondly, costing in its widest sense. Thirdly the preparation and presentation of financial information to assist management and the administrative organisation required to do this. Some or all of these functions are often referred to in this country as management accounting; the term used in Canada and the United States, and one which is perhaps more likely to appeal to our clients, is "Management Services." I should like to emphasise that organisation, in the sense in which I use it, is needed most in the smaller businesses for the reason that the big

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companies usually have the resources and facilities to administer themselves efficiently. Organisation therefore opens a field for the member in practice who deals on the whole with the smaller rather than the larger company.

27. Dealing with the first of these phases of organisation, there has been continuous and rapid growth in the manual and mechanical methods of recording financial transactions. It began in the dark ages with notches on stocks and it has progressed through the time when every item was laboriously written by hand. We have gone on, within the recollection of most of us here in this hall today, to typewriters, book-keeping machines, filing systems, punched-card machinery and now to electronic accounting. It seems to me that the professional accountant should keep abreast of these developments and the office organisation necessary to install them. Not only should he know the capacity and scope of these mechanical devices but also when it is or is not suitable and economic to install them. He should also be able to advise on the actual method of installation. A great deal of help is of course available from the manufacturers of the machines but there is a long process of preparation and planning followed by supervision of the operations in the early stages, and the professional accountant should equip himself to provide this service. Like all facets of an accountant's work it needs special study and specialised staff.

28. The second phase of organisation work is costing. During the Second World War an enquiry was made by one of the Government departments into the type and efficiency of the costing methods employed in a very large cross-section of industry in this country. The results were a grave reflection on the accounts departments of British industry and the profession must share responsibility for that state of affairs. Many companies had no costing system worthy of the name; a majority did not reconcile their costing system with the financial accounts; large numbers had no proper control of the receipt and issue of stores; overhead rates, if used at all, remained unaltered for years. There has doubtless been an improvement since, but I suspect that even now the position is far from satisfactory. Indeed if each of us reviews his own clients he will be forced to admit that many of them have indifferent costing systems which are capable of great improvement. If the professional accountant is to be able to fulfil the role which his clients will expect of him in the future I think that this is another type of work in which he should be expert. He should know from his experience as auditor of the business whether the costing system is adequate or not; he should be able to decide which form of mechanical system will give the necessary results; he should be able to make up his mind as to the form of costing information which will be most helpful to his client in running his business; finally he should, if asked to do so, be able to attend at his clients' offices and supervise the installation of an adequate costing system.

29. The third phase of organisation flows naturally from the first two. That is to say the preparation and presentation of budgets and financial information promptly and at regular intervals in order to assist management. A

surprising number of businesses fail to equip themselves with the necessary tools of management. Voluminous statements and statistics are often prepared which either are not looked at or upon which no decisions are taken. On the other hand, management at all levels often does not furnish itself with, or interpret correctly, essential costing and other financial information without which it is impossible to run the business efficiently. The professional accountant's capacity to select the important from the unimportant and to interpret figures, coupled with his experience of the methods adopted in a number of other businesses, should make his advice especially valuable in this field. This is a much wider subject than the mere presentation of figures; it is usually necessary to begin by examining and changing the administrative organisation, settling the channels of authority and pin-pointing the individual upon whom specified responsibilities must rest.

30. It may well be that, in advising clients under either or both of the two latter phases or organisation work, the professional accountant will need the technical help from engineers who are skilled in plant layout, work study, job progressing and similar matters. In so far as the company itself cannot provide the necessary assistance the professional accountant may wish to obtain the collaboration of one of the firms of consultants who provide this service. It would be unusual, though not unknown, for a professional accountant himself to employ engineers for this purpose.

31. I have stressed these three phases of organisation because the professional accountant is in danger of falling behind in each one of them. For example, the number of professional accountants who can devise a modern and efficient costing system is comparatively small; the number who are capable of attending at a client's office and supervising the installation is smaller still. Indeed, many of us, as I have pointed out, do not have an up-to-date costing system in our own businesses. The skills required to give competent professional advice on organisation work take a long time to acquire. Much technical reading and practical experience is involved. I believe that in any practice of any size there is scope for one or more specialists who can study the various phases of organisation work and advise clients on the needs of each particular business and the methods of installation. When the professional accountant is the auditor of a business I do not think that he should necessarily wait to be asked by his client for advice on these matters. As auditor he has a better opportunity than most people of knowing the weaknesses; if he feels that a client's business would be helped by a change of system or the installation of more up-to-date methods it is prudent and sensible to tell the client so. It will be seldom that the advice will not be welcomed.

32. The reason why so much of our business is auditing is because audits have been made compulsory under the various Companies Acts. Organisation is a comparatively new subject which has only developed in recent years. It is not putting it too extravagantly to say that it offers the greatest opportunity and challenge to the professional

accountant which has been open to him for the past fifty years. Without the compulsion of a Companies Act I think the professional accountant has failed to see or take the opportunities which are within his grasp in this field. If they are not seized now, it is certain that others will see them and wrest them from us. There are significant signs that this is already taking place.

Investigation Work and Special Studies

33. The public is only beginning to realise the value of an independent investigation and report by a professional accountant or the advantage of asking him to make a special study of a particular subject. The form such enquiries can take knows no bounds. The more usual forms of investigation cover subjects such as the examination of a new enterprise involving capital expenditure; an enquiry into the reasons why a business is not earning profits; a review of a company's internal administration and organisation; a reorganisation of capital; the cost of production of different products with a view to concentrating on the most profitable lines; share valuations; the installation of a pension plan; the value of a business which is to be acquired or is to be the subject of amalgamation; or any one of a large variety of different subjects.

34. A professional accountant's capacity to find out the facts and present them fairly; to explode false arguments as the result of careful analysis; to suggest sound principles of administration, budgeting and finance; and generally to introduce a sense of realism into plans and forecasts make his work in the investigation field invaluable. It is one of the most rewarding sides of an accountant's business and it is one of the roles of the accountant of the future which has the greatest scope. But it is not work which can be undertaken lightly. The expertise required to make the enquiry and present the result in a clear and balanced form takes a long time to acquire. Only experienced staff can be used and they cannot normally undertake other jobs at the same time because investigation work is too demanding in time and concentration. But there is another aspect which affects the accountant's approach to this type of work. Clients are not impressed by a report, however detailed or painstaking, unless it is concluded by a firm opinion. I do not suggest that the accountant's traditional attitude of caution should change or that he should cease to be impartial. The point I am seeking to make is that if we are to be of real use to our clients, we must be prepared to give a common-sense business judgment on the facts we have discovered. We must be prepared to say whether we think a new venture will succeed or not; whether personnel are competent or incompetent; whether the administration of a business is sound or unsound; whether the estimates of capital expenditure are adequate or not. We are well suited to give these opinions as we usually have a better opportunity than most people of examining all the facts first; we are independent; and we have the advantage of drawing on a wide experience. The number of firms of accountants which at present does work of this nature is comparatively small but there is no reason why it should not be greatly extended. The business com-

munity is constantly seeking, and is having difficulty in finding, the advice and services of members of our profession who are prepared to undertake these responsibilities. It is a specialised work and a role we should be prepared to fill in the future.

Directorships and Government Appointments

35. Many professional accountants take the view that they should not accept directorships on the boards of companies. This attitude is adopted largely because they feel it may lead to a conflict of interest as between their position as a director of one company and their independent and impartial advice to other clients. Other professional accountants have different views, which are equally convincing, and feel that there is no objection to the acceptance of directorships. It must always remain a matter of individual choice and opinion whether to accept appointment to the board of a commercial or industrial company, but the formation of a number of nationalised industries or semi-national undertakings (the number of which may multiply under certain political conditions) has, I think, brought about a new situation. There is the greatest difficulty in finding men of the right quality to act as part-time directors of these national enterprises. Many of us disagree with nationalisation but nevertheless it is now part of our social structure and we can no more disregard it than we can the payment of taxes and estate duty. I am convinced therefore that it would be of great advantage to the country if professional accountants would allow it to be known that they would accept appointment as part-time members of the boards of these national undertakings. It would equally be of great advantage to many members of the profession because it would enable them to view problems which they so often see from one side of the board table only, from the other side also.

36. There is another aspect of this subject. The complexity of the many functions which succeeding Governments have assumed for themselves has resulted in the setting up of innumerable working parties, study groups, committees of inquiry and similar bodies which are charged with the task of studying all the relevant information and making recommendations. The work is usually unpaid and the time required to do it justice is considerable. Nevertheless I think that the professional accountant is under an obligation to accept these appointments because there is often no substitute for the advice and experience which he can bring to the discussion. It is one of the contributions which, as a profession, we can make to the community.

Share Valuation Work

37. When dealing with investigation work, I pointed out that the professional accountant often has to undertake the valuation of shares of public and private companies when amalgamations or reorganisations take place, for the purpose of take-over bids and other acquisitions, and last but not least for estate duty purposes. The reason for singling it out for separate mention is that this type of work may grow considerably if a capital

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gains tax is imposed by the present or any future Government. I mentioned earlier that the total number of companies in the United Kingdom is over three hundred thousand of which only about five thousand have a quotation on the London Stock Exchange. If a capital gains tax is to be imposed, it may well be that all sales or transfers of shares in unquoted companies will involve valuations of shares at particular dates, so that the capital gain or loss can be measured. If such is the case, professional accountants may be employed in a large number of cases and it will be worth while, in many firms, to arrange for a partner and staff to specialise in this type of work. It is perhaps worth recording that a great many owners of shares in private companies do not know what their shares are worth; sometimes they greatly exaggerate the value of their holdings and at others they underestimate them. We can be of great help to our clients in advising them on this subject.

Estate Planning

38. There is scope in the field of estate planning for our clients and generally in executorship and trustee work. Where the professional accountant attends to the taxation affairs of a private individual he can and should, in conjunction with solicitors and counsel, advise him on the estate duty position and the advisability of making provision for himself and for children and dependents. In this way the professional accountant becomes familiar with the personal affairs of many of his clients who naturally often wish to appoint him as executor or trustee. The professional accountant is well fitted for appointment in this capacity as he can attend to the records and the preparation of annual accounts and other statements. I should say in this context, that very often the accounts and records maintained by private individuals who are appointed as executors and trustees, but are not professionally trained, are sadly deficient. Estate planning and trusteeships are types of work which can be developed but, like the related subject of taxation, they require specialised knowledge and continuous study of current legislation.

39. Some firms of practising accountants have found it convenient to form private companies with unlimited liability in which the partners are both the shareholders and directors, to undertake the work of acting as trustees of settlements and in the case of deceased estates. This has the advantage of continuity as it avoids the necessity for making changes when a partner dies or retires. I should perhaps mention that the Institute has laid down certain principles with regard to the formation and use of limited companies which must of course be observed if a practising accountant wishes to administer this part of his work in this way.

Bankruptcy and Liquidation

40. The amount of bankruptcy business available to the profession is comparatively small and with the steadily increasing use of limited companies I do not think it will ever become a significant part of the work of a practising accountant except for the few firms who specialise in it.

The traditional business on which our profession was founded has therefore fallen to insignificant proportions.

41. On the other hand, the work of acting as liquidator of limited companies is likely to increase and I have already given some figures indicating the growth of the number of limited companies. At the present time six or seven thousand companies are struck off the register each year for one reason or another, most of which are formally put into liquidation and liquidators are appointed. Like all other forms of professional work there is an expertise in liquidations which can only be acquired by experience but the difference between a good liquidator and a bad one can make a considerable difference to the ultimate dividends paid to the creditors. In the larger firms where one or two liquidations are always open it is not unusual for the class of work to be dealt with by partners and staff who specialise in it.

Receiverships

42. We have not lived through a serious industrial depression in this country since 1930 and the depression before that was in 1921. Governments hope to avoid a repetition of those crises in which they may or may not prove to be successful. My personal conviction is that there will nevertheless be periods of depression, though perhaps not as severe as the two I have mentioned. When they come there will be a demand by bankers and the investment houses for receivers who can take control of concerns which have got into difficulties and perhaps bring them back to a prosperous future again. A good receiver needs much more than technical ability. He must have a commercial sense, the power to negotiate and the business judgment as to when a venture should be stopped or proceeded with. It is a service which we ought to be able to provide and we should be well advised to prepare for the demand which is bound to arise at some time in the next few years.

43. While on the subject there is an aspect of it which warrants comment. Many receiverships and liquidations ought not to happen. The warning signs that trouble lies ahead appear usually months, if not years, beforehand and they should be more readily apparent to the auditor than to most people. The auditor of the future must be someone who is prepared to read the signs and warn the directors of the path they are treading so that they can take action in good time. It takes courage; but it typifies my conception of the professional accountant of the future.

Secretarial Work

44. The continued growth of limited companies enables the professional accountant to offer secretarial services to small companies, many of which, being virtually run by one man only, cannot afford a full-time secretary. They are therefore glad to delegate the task of looking after the minutes, statutory work, the filing of returns and other essential work of this nature to a professional office which has the experience. It is useful bread and butter work which helps to pay the overhead expenses. I have noticed also two other aspects of secretarial work which

appear to be increasing in scope. The first is that of entrusting to professional accountants the payment of the salaries of top management; the second that of supervising pension funds, the number and size of which are increasing year by year.

45. There is other work of a secretarial character however which is of greater significance. There are numerous trade and trading associations which often wish to appoint independent firms of accountants to act as secretaries to the association. This is sometimes done merely to avoid the necessity of appointing whole-time paid secretaries, but there is often the added reason that the independent accountants examine returns from all members of the association in a confidential capacity and later circulate them in a coded or summarised form. This already happens in some industries and as time goes on it is possible that it will become more and more the practice of members of an industry to exchange information about costs with a view to increasing the overall efficiency of the industry. The process may well be expedited by the Restrictive Trade Practices Act, 1956, which has caused many industries to review their existing arrangements and, in some cases, has led them to seek new methods, such as those I have described, to increase their efficiency. The professional accountant has an opportunity in this field. His position of independence and his capacity to analyse and present essential facts and figures enables him either to act as secretary to associations of this sort or, if they are large enough to employ a salaried staff of their own, as adviser.

Arbitrations

46. The professional accountant is sometimes appointed as arbitrator. In particular cases he is unquestionably the best person for the job and there always will be occasions in the future when his services are required in this way. This work is, however, of a casual nature and it is unlikely that it will ever be substantial. The courts are jealous of their responsibilities for settling disputes and, except in special cases, it is better that the normal processes of the law should be followed.

Registration Work

47. Some firms of accountants act as registrars of public companies which have a quotation on the stock exchange. There is not a great deal of this type of work available as there is keen competition to secure it by both the banks and the issuing houses. In any case the number of companies with a quotation is not large and the volume of this work will therefore probably always be small and concentrated in the hands of a few firms only.

Expert Witness

48. The professional accountant is sometimes called upon to act as an expert witness in arbitrations, valuation tribunals or on legal actions in the courts. It is exacting work and it requires immense preparation. Very often, moreover, a great deal of time has to be wasted in attending the hearing and listening to evidence which is irrelevant to the particular issues upon which the accountant

has to give testimony. The volume of this type of work rises and falls for political rather than commercial reasons. Nationalisation legislation after the Second World War with the consequent necessity of making valuations, created a special demand for the expert evidence of accountants but, for the time being, the demand has slackened. Political changes, in particular the inquiries now being instituted under the Restrictive Trade Practices Act, may bring about a recrudescence in the future.

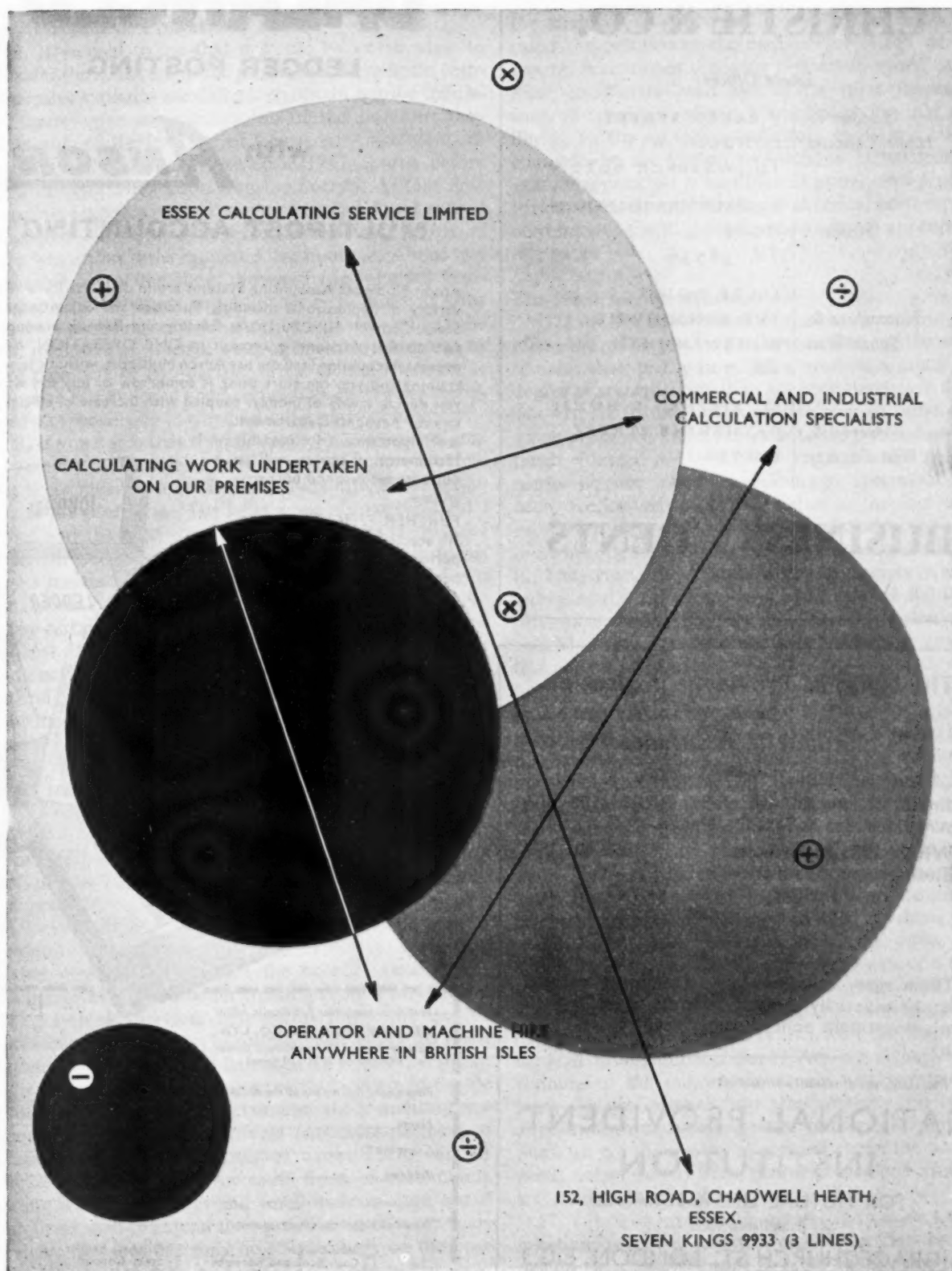
The Accountant as General Adviser

49. I have dealt with all those classes of work which are now open to us or which will, I think, be open to us in the future and the lines on which they may possibly develop. There is one additional service which the professional accountant performs and which, I hope, he will continue to provide for the future. That is to act as friend, adviser, and confidant to his clients. Times without number clients feel the need not of technical advice on accountancy matters, but of discussion with somebody whom they can trust who will give them detached and commonsense advice. It may be on personal affairs, trends of economic or political thought and the probable effects thereof upon the clients' business, problems of personnel and human relations, or a host of other diverse questions. There may be little chargeable time in providing this service but it is one of the most satisfying tasks which the professional accountant can perform.

The Growth of the Profession

50. I had hoped to be able to present to you some statistics showing the growth of our profession in the past thirty years and a comparison of the rate of growth with other professions as this would enable one to make some intelligent guesses about the future. In fact it has proved impossible to do this, either because the necessary figures were not available from the many sources from which they had to be obtained or because they were not available on a comparable basis. It is a subject which would be worth further study in itself but this is not the occasion on which to pursue it.

51. The result of such enquiries as I did make, however, can be summarised as follows. In 1940 the total membership of all the accountancy bodies in the United Kingdom was approximately 34,000. In 1950 it had risen to approximately 40,000, of which 10,000 to 11,000 were known to be in practice. At the present time the total number is probably about 58,000 of which the number known to be in practice is probably just over 13,000. This is a considerable growth and we are now among the largest of the recognised professions in the United Kingdom. This rate of growth cannot go on indefinitely but there is no sign at present of any slowing down. Indeed it is possible that, as a result of the recent scheme of integration of the Institute of Chartered Accountants and the Society of Incorporated Accountants, the rate of growth may be greater for a few years as the number of articled clerks which members of the Institute can now accept has been increased from two to four in respect of each member in practice. More and more people are realising the value



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A

of an accountancy training as a background for a commercial and industrial career and that will also tend to increase the numbers.

The Structure of Professional Firms

52. It seemed to me that it would be worth while to consider the structure of the profession. Here again comprehensive statistics are difficult to obtain but the following figures give some indication of the position; they relate only to the Institute of Chartered Accountants in England and Wales as it existed in 1957, shortly before the scheme of integration with the Society. At that time there were approximately seven thousand five hundred Chartered Accountants in practice and the number of firms was about three thousand five hundred. About two thousand out of the three thousand five hundred firms were sole practitioners and a further eight hundred firms had two partners only. In short, about one-half of the total members in practice were on their own account or were members of two-partner firms. Of the whole three thousand five hundred firms comparatively few are recognised as specialising in any particular class of business.

53. If you agree that there is scope for the professional accountant in the roles I have suggested it seems to me that there must be some important changes in the structure of the profession. The wide scope of an accountant's duties and the need for continuous specialised study of particular subjects if he is to give expert service to his clients means that either or, most probably, both of two things must happen. Either firms generally must be larger or else certain firms must specialise in particular classes of business. It will be increasingly difficult for one man practising on his own account, or even for two men, to give a full and proper service to clients. Firms will therefore have to be increased in size so that partners can specialise and thereby provide the wide range of expert service which clients need. Apart from providing a better and more expert service, all of us who have enjoyed the benefit of several partners know the value of discussion in settling difficult points and the benefit of being able to get different points of view at short notice by walking into other partners' rooms. Larger partnerships have other advantages. It is possible to employ a better balanced staff, partners can leave their business to take adequate holidays and continuity is assured in the event of illness. There is a further great advantage that the broader base of the practice gives a much better training ground for articled clerks. I think therefore that partnerships will tend to increase in size and every encouragement should be given to them to do so. A well-balanced firm might, I think, comprise not less than four partners which would enable all of them to deal with a certain amount of auditing and accounting work and yet enable particular partners to specialise in the other classes of work. There will, of course, always be work for small firms of accountants dealing with sole traders and small undertakings, but if such firms wish to extend their practices into larger fields I believe that they can only do so effectively on the lines I have indicated.

54. The alternative is that some of the larger firms

should specialise in particular classes of work and the smaller firms should send clients to them to get specialised advice on subjects which they cannot deal with properly themselves. This already happens to a certain extent and the tendency may increase. It is worth while bearing in mind the practice in the medical profession where the general practitioner sends his patients to specialists when their complaints need the advice of a physician or surgeon who has spent a lifetime studying that type of illness. In the same way solicitors send their clients to counsel who are known to specialise in particular subjects. The principle is no different in our own profession. It raises questions of professional ethics, however, which need handling with great care and are not appropriate to this paper.

The Need for Specialisation

55. I do not know which of the two foregoing courses offers the most practical solution. The significant point remains that, in my view, there must be a much greater degree of specialisation than has been the case in the past. The growth of the profession has been so rapid and the scope of the services it can offer to the public has been so much enlarged in the last few years that the need for a comprehensive plan to encourage specialisation has been overlooked. It is partly due to the fact that the profession as a whole is not administered centrally and there are the several different accountancy bodies within it. The recent integration with the Society which has increased the size of the Institute and extended its authority over a very large part of the profession may be helpful in bringing about some very necessary changes in this and other respects.

Education in the Profession

56. These thoughts lead me to wonder whether we shall not have to reconsider our present basis of training both for articled clerks and for qualified members. I have stressed the need for specialisation in order to give proper service to clients but it is difficult for most members of our profession under present conditions to get both the theoretical knowledge and the practical experience to equip themselves with these skills. How then are we to ensure that, as a profession, we provide them for our members? Does it mean that the period under articles should be shortened and the time thereby saved should be spent under instruction in special subjects? Will it involve post-graduate courses? Will the profession have to divide itself into specialist branches in the way that the medical profession has done? Are we giving the right training to the many accountants who we know will leave the professional field after qualification and take appointments as accountants in industry and commerce? Shall we get the quality of articled clerks the profession needs unless we pay them properly? Are our educational standards high enough?

57. I do not propose to suggest the answers to these questions except to say with conviction that the present position is not satisfactory and to make the point that we shall not find the answers unless we begin to look for

them. Now that the first period of reorganisation and consolidation of the profession since the end of the war is over, and with integration an accomplished fact, I believe it is time we began to undertake long-term planning for the future. I believe that study groups should be set up to give thought to them and to other matters of a similar character which will shape our destinies during the next fifty years. They are among the biggest problems which face the accountant of the future and ones which we must begin to answer now as it is many years before an education programme can bear fruit.

58. Most of us are already finding the need not only for more specialised staff but staff generally of a better quality who will be better paid. I think it also means that we must expect and demand a different, if not a higher, standard of education than we have been satisfied with hitherto. A very large number of newly-qualified chartered accountants are not capable of putting their thoughts clearly into words or of writing coherently. More and more the nature of our work will mean that we shall have to be able to express ourselves clearly in speech and in writing, and I doubt whether our present requirements from an education point of view are the right ones.

Provision of Capital

59. Another consequence of increased specialisation and larger firms will be that firms will require more capital to run their businesses. Particularly is this so under inflationary conditions. I do not see how the professional accountant of the future is going to be able to accumulate the necessary capital because the burdens of taxation virtually prohibit savings except of a minor character. This is especially true during the time when capital is most needed by a professional man which is usually when he has children to educate at school or the university. I think therefore the time will come when professional firms will have to be permitted to operate as limited companies so that there will be some means of accumulating profits free of surtax, sufficient at least to provide the cash capital necessary to run their businesses. I am far from suggesting that the personal responsibility which is an integral part of professional life, should be removed. One of the things which keeps the profession healthy is the knowledge of its members that they are responsible for their advice and opinions up to the full extent of their assets, and I think this should be retained. It may be, therefore, that the form this change will take will be the formation of unlimited private companies. Alternatively, professional partnership firms may continue to exist for the purpose of accepting responsibility but the actual work may have to be sub-contracted to limited companies of which the partners in the professional firms are the shareholders and directors. In either case the companies will, it is hoped, be able to accumulate profits necessary to provide working capital.

The Average Age of the Profession

60. I see another change in the future. In the past, owing to their inability to accumulate savings and the absence of any pension scheme, members of the profession

have carried on until very late in life, far longer than executives in commerce and industry. They have done this, broadly speaking, because they could not afford to retire. Now that there are arrangements for pensions for self-employed people, it is possible, provided one starts young enough, to contemplate retiring on a reasonable pension about the age of sixty-five. This change should begin to make itself felt in the next twenty-five or thirty years as a result of which one may expect a reduction in the average age of practising members. I believe that this will be a good thing. It will tend to give a more lively approach to professional matters and it will give greater opportunities to the articled clerks of today and those who succeed them in the next few years. It is to be expected also that members will be elected to the District Societies or to the Council at a younger age than in the past and correspondingly that they will retire earlier, though it is to be hoped that a small number of elder statesmen will be retained on the Council.

Payments for Goodwill

61. If the various prophecies come to pass, I think another consequential result will be that the payment for goodwill for professional practices, and between incoming and outgoing partners in a firm, will come to an end. It will be difficult enough, even if the formation of limited or unlimited companies is permitted, to find enough cash capital with which to run a professional accountant's business. Young incoming partners will not have the means or the earnings to pay for goodwill and the outgoing partners, instead of relying in part on the goodwill payment for their retirement as they have done, to some extent, in the past will in future have their pensions to live on. The practice of paying for goodwill has, in any case, been declining for some years past. I think it will stop altogether in the next ten or fifteen years and for the good health of the profession it is desirable that it should be so.

The Professional Accountant's Influence in the Future

62. The professional accountant collectively and individually wields a considerable influence. The views we express publicly or in the course of our work, our conduct as members of a profession and the advice we give to the many people who seek it have, over the years, a profound effect on public and company administration, the form and substance of documents presented to the public, financial transactions of all descriptions and indirectly, if not directly, on some changes in the law. Our role in this respect is unlikely to diminish and the more we equip ourselves to undertake the types of work I have described, the greater will that influence become. There are one or two directions in which I think our influence should be exerted at once.

Accounting under Inflationary Conditions

63. We have an immediate task to lead the way in finding sensible methods of accounting and of financial administration under inflationary conditions. In short, inflation is here and in most overseas countries as a

permanent evil and nothing short of an international trade recession is likely to stop it. We should remember that if the pound is deemed to be worth 20s. in 1946 it has dropped successively in the intervening years as follows: 18s. 9d., 17s. 5d., 17s. 0d., 16s. 5d., 15s. 2d., 14s. 5d., 14s. 1d., 13s. 10d., 13s. 4d., 12s. 10d., 12s. 7d. until at the present time it is worth (based on the 1946 standard) about 12s. only. Comparatively little has, so far, been done in the accounts of public companies to calculate what the effect of inflation has been and to provide for it out of profits so as to ensure (quite apart from expansion and development) that the business is maintained and that its capital is not diminished. Some efforts have been made by the more far-sighted industrialists to take steps to provide for this deterioration in their resources year by year as it arises but, generally speaking, the lead has come from commerce and industry and not from the profession. We have a real opportunity for leadership here as our numerous clients cover the whole field of British industry.

64. This leads to the consideration of another aspect of inflation which is the professional accountant's influence in relation to prospectuses. The statutory, and indeed the traditional approach, is for the accountant to certify the profits for a number of past years, usually ten, but it is sometimes more and sometimes less. I believe that under inflationary conditions those profits, without an explanatory statement, have only a limited value because a thousand pounds earned ten years ago is not the same as a thousand pounds earned now. It can be argued that the general effects of inflation are so well known as not to require further emphasis but I doubt whether this is so. I believe that it ought to be made clear in the body of the prospectus that, because of the effects of inflation, a mere statement of past profits is not a fair reflection of future earning capacity. In short, a trading business which shows a steady profit for the past ten years is normally declining; it is holding its own only if the profits rise year by year in the same ratio as the £ is falling in value. In addition I think that the professional accountant has a role to play in regard to the replacement of capital assets. I suggest that he should not allow his name to be put on a prospectus unless the prospectus makes it clear what policy is to be adopted in order to provide for the increased cost of replacing capital assets over and above the depreciation which has been charged against the profits which have been the subject of certification. This can be done by presenting the estimate of future profits in a form which will indicate that, after paying the dividend which is forecast, they are adequate not only to provide for depreciation on the historical cost of fixed assets included in the statement of net assets but also on the basis of depreciation on the replacement cost of those assets at the time when the prospectus is issued; alternatively, if replacement at current prices is not to be made out of profits, the prospectus should indicate the sources from which it is expected that the additional capital will be provided. This is not a role which falls only on the professional accountant; it affects issuing houses, solicitors, directors and others, but the professional accountant can play a significant part in it and his influence would do more than

anything else to bring about an improvement in the existing position.

Information for the Investing Public

65. Another way in which professional accountants can exercise their influence in the future is in advising the boards of companies what information they should give to their shareholders and, as regards public quoted companies, the investing public, over and above the statutory accounts for which they are responsible as auditors. Here again I believe that British industry is falling somewhat behind the rest of the world and that we, as accountants, have our part to play. It used to be claimed that information furnished to shareholders or the investing public only gave information to competitors. In the great majority of cases I believe this to be nonsense. The number of companies whose interest are harmed by disclosure of reasonable information about themselves, their activities and their results, is comparatively small. I believe that as professional accountants we should advise the boards of all companies that in addition to the statutory accounts, they should publish a summary of the results for the past ten years so that without unnecessary research and labour shareholders can watch the trend. I believe that whenever it is practicable to do so, figures of sales either in quantity or value, or both, should also be published. I think there should be a statement showing in a consistent form the earnings in relation to capital employed, and information showing what proportions of the net revenue of each year are retained for expansion or other purposes or distributed by way of dividend to the shareholders. Apart from providing this additional information, which is of real importance to shareholders, there is a great deal to be done in simplifying published accounts. The accounts of a great many public companies are confused by unnecessary detail and voluminous notes, much of which could be avoided. The professional accountant's influence in this direction could bring about a great improvement in a very short time.

66. But I do not think the professional accountant's advice to his clients should stop there. There is a growing anxiety on behalf of the investing public to know at shorter intervals than a year how companies are progressing. I think the professional accountant should meet this need and advise his clients on how much it is safe for them to publish, and the form in which the information should be presented, so that it will not be misleading but will still give an adequate indication to shareholders and investors how companies are faring during the course of the year.

Conclusion

67. What then in summary is the role of the practising accountant of the future? He will of course continue to be a person of integrity and independence with a balanced judgment. I hope also that he will be a man of broad general education who can express himself clearly in speech and writing. The profession of which he is a member will have organised itself so that its members can receive the training and experience necessary to provide

the specialist services which the public will expect and need in the future from accountants. He will have taken advantage of these facilities; he will become a member of a firm without paying for goodwill and will have three or more partners who collectively can give a proper service to clients in all phases of a professional accountant's work, particularly investigation and organisation work. The audit practice of his firm will comprise perhaps no more than 50 per cent. of the gross fees and will be conducted on the lines I have suggested earlier in this paper. He will be an employer, jointly with his partners, of a balanced staff the senior members of which will, like

himself, have specialised training and knowledge. His firm will pay its articled clerks adequately and have a large enough practice to train them properly. The firm will finance itself in part in one or other of the ways I have indicated and its partners will retire at sixty-five on a reasonable pension. During his service in the profession he will be, above all, somebody who is constructive in all phases of his work; who is anxious to lead rather than to follow; to initiate rather than to check the work of others. We have a long way to go to equip ourselves in these ways but unless we do so we shall fail to keep pace with the needs of our clients.

A paper given at the Autumn Meeting at the Royal Festival Hall, London, on October 4.

The Progress of Tax Reform

By Sir William Carrington, F.C.A.

I. INTRODUCTION

I propose to deal in this paper with the reform of those taxes which have the greatest impact on the payer: income tax, surtax, profits tax and estate duty. There are of course no good taxes, they are an unfortunate necessity. It is the function of a statesman to raise the money which the country needs with the least possible hindrance and harm to the national effort and prosperity. A politician approaches the matter differently: the thoughts of most are conditioned by the fancies and prejudices of their supporters and not a few are unduly influenced by that distrust of change that seems to be endemic in the Treasury and Somerset House. Statesmen are rare: hence the complicated patchwork quilt of taxation "up with which we have to put" (apologies for the plagiarism to A Former Naval Person).

In the context of taxation I would define "reform" as (1) the removal of inequities as between one class of taxpayer and another; (2) the minimising of the harmful impact on national effort and prosperity; and (3) the exclusion of unnecessary complications and absurd anomalies. As to (1) and (2), these may well involve the broadening of the base of a tax with the resultant lessening of the impact by reduction from a very high rate, which latter can seldom be justified except in wartime. In regard to (3) absolute simplicity in taxation is quite definitely impossible of achievement in such a highly complex society as ours, but this is no justification for retaining complexities which are unnecessary or provisions which even the House of Lords cannot construe with unanimity and some of which they have been tempted to reject as meaningless.

II. INCOME TAX

Income tax is the oldest of the four taxes and has roots even in the seventeenth century when the tax, now known

as "land tax," in fact provided for the taxation of incomes, although in this field it was never very successful and it had degenerated in Pitt's time into a kind of redeemable rent-charge on land. Although Pitt is commonly regarded as the father of modern income tax, the palm really belongs to Addington. Pitt introduced a kind of expenditure tax in 1797 but it was a failure and let that not be forgotten. His income tax of 1799 was hardly more successful and was repealed in 1802, after having been characterised as:

destructive of the trading world . . . hostile to the liberties and morals of the people and incapable of being made equitable or efficient.

By contrast, Addington's Income Tax Act of 1803 is little different in essentials from the Act of 1952. It introduced the fundamental principle of taxation, where possible at source, and the classification of income in five schedules. Collection at source, with the corresponding grant of the right to deduct, is the real strength of our income tax system. The introduction of P.A.Y.E. during the last war was not a novel idea, it was simply an application of Addington's own principle.

Income tax was discontinued after the defeat of Napoleon but was reimposed by Peel in 1842, ostensibly for four years. It has remained ever since. The Act of 1842 was almost entirely a re-enactment of the Act of 1806 which was itself largely a re-enactment of Addington's Act of 1803. This, to some extent, explains the emphasis on the taxation of landed property under Schedule A, for in Napoleonic times trade and industry had not developed to the same extent as in 1842, not to mention our own times. Addington in 1802 estimated the income from real property at about £37 millions and the income from trade at between £10 millions and £20 millions.

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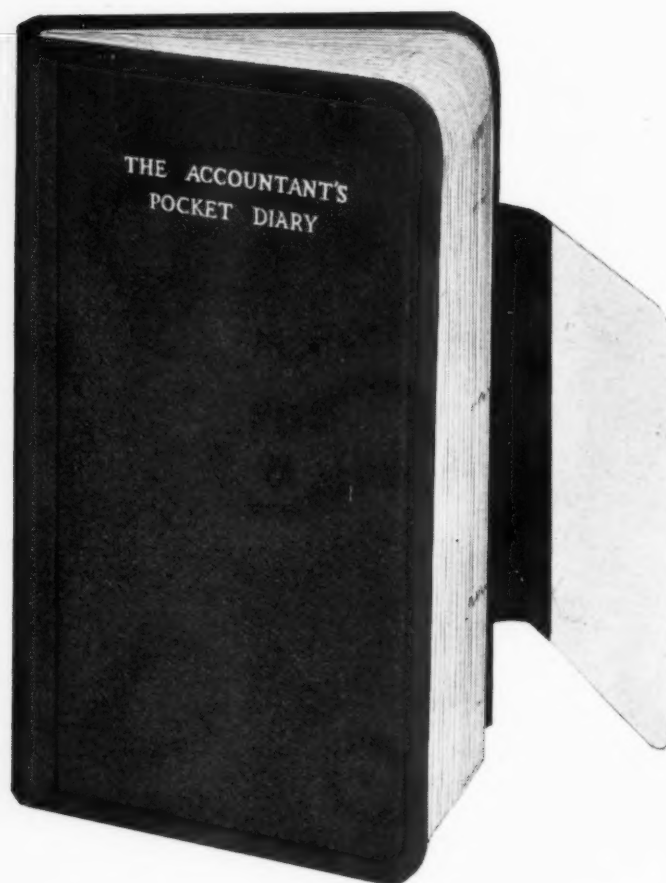
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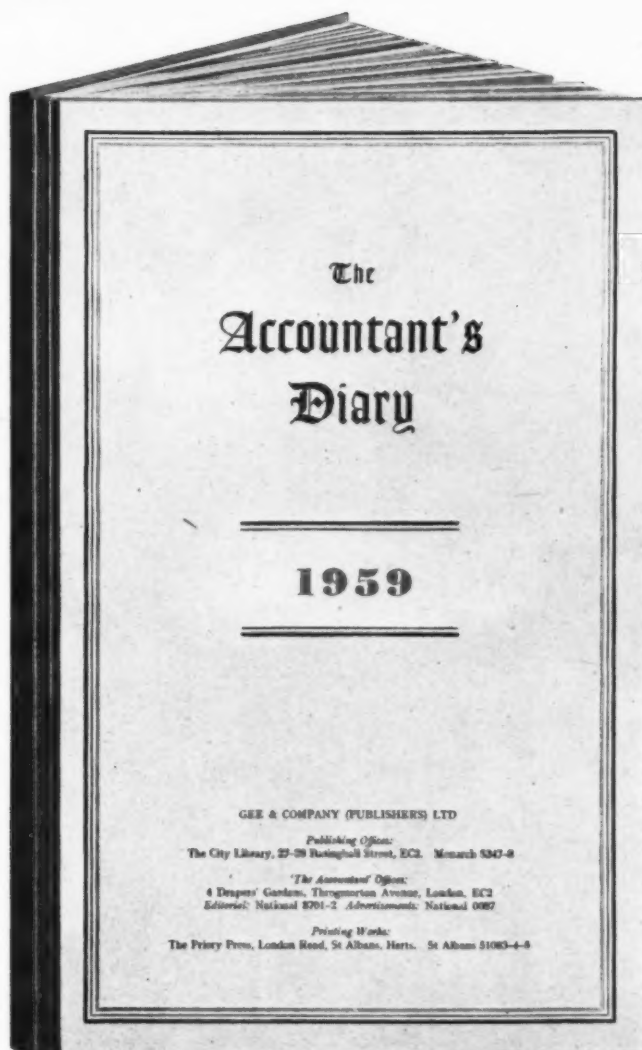
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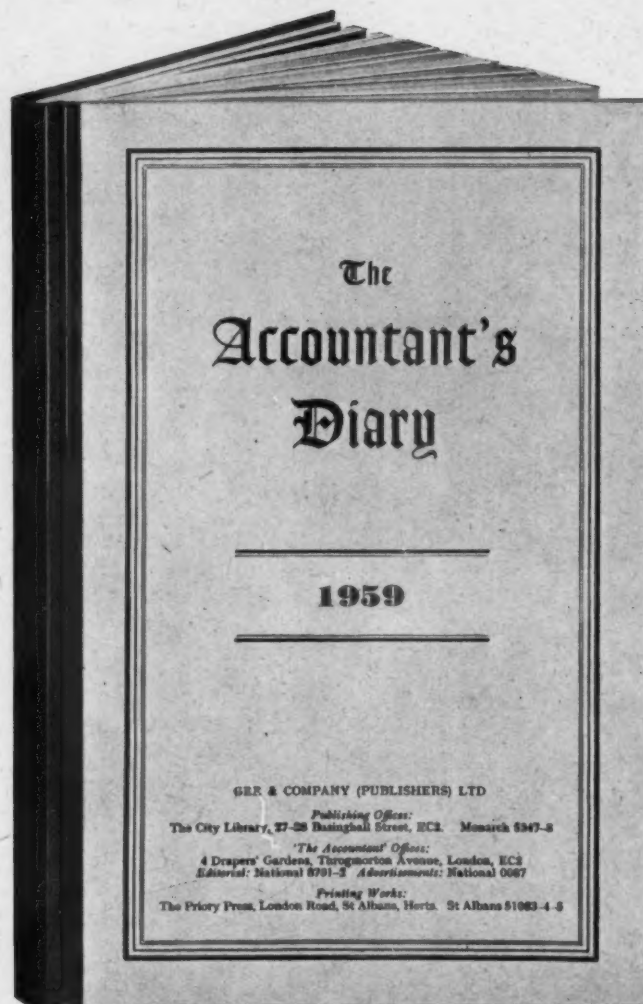
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Income Tax an Annual Tax

Since 1870 income tax has been, at least in theory, an annual tax which has to be imposed anew each year. The Act imposing the tax is usually passed when the year is somewhat advanced and therefore, to ensure continuity of administration, it was provided in 1890 that the income tax provisions at the end of one year should have effect for the following year with respect to the tax which might be imposed. On the strength of this provision, tax was collected each year before Parliament had granted it. However, in 1912, this practice was successfully challenged by Mr. Thomas Gibson Bowles who questioned the right of the Bank of England to deduct tax from the interest on Government securities owned by him, at a time when no Act imposing such tax was in force. His success was perhaps all the more remarkable in that he gained it while appearing in Court in person against such doughty adversaries as Sir Rufus Isaacs and Sir John Simon, the Attorney-General and the Solicitor-General respectively. However, Mr. Bowles's triumph was short-lived, for the Crown's position was regularised by the Provisional Collection of Taxes Act, 1913.

It has been the sad lot of many successful litigants in the Revenue Court since Mr. Bowles to see their victories turned to ashes by amending legislation; not a few of the amendments have had a retrospective effect and no political party is in a position honestly to criticise its opponents in principle for permitting the Treasury to use this weapon.

What is Profit?

The rules for arriving at industrial and commercial profits also reflect the original temporary nature of the legislation. In 1803 it was not expected that the tax would be in being for very long, it was simply a means of raising money quickly and the Act of that year looked largely to the cash profits of merchants rather than to profits computed on a scientific basis. Inroads have of course been made into this original concept of the cash account but most of them are comparatively modern. In 1851 and again in 1861 a select committee considered alleged inequalities in income tax but recommended no change. It was not until 1853 that a deduction for expenses for Schedule E was accorded, and it is significant that the present counterpart is in the same words as those used in 1853. A very limited extension was granted by the 1958 Finance Act, but it did not go nearly far enough.

Wear and tear

Although local commissioners were giving allowances for the depreciation of plant and machinery as early as the 1850s with the tacit acquiescence of the Inland Revenue, it was not until 1878 that statutory sanction was given. A departmental committee reported in 1905 that the system of wear and tear allowances was satisfactory except that there should also be an allowance of the full annual value of mills and factories, because of the excessive depreciation of the structure. This illogical allowance was first given in 1918. It was modified in 1937, and in 1945 it was replaced by the system of allowances for industrial build-

ings and the like based on the original cost of construction of the unit in question.

Originally and for very many years the amount of the wear and tear allowance was left to the discretion of the appeal commissioners. In 1932 there was a general increase by one-tenth of the rate currently allowed and in 1938 this overall addition was altered to one-fifth. Obsolescence allowance, given as an extra-statutory concession from 1897, was made statutory in 1918. In 1945 the Income Tax Act of that year increased the wear and tear allowance to five-fourths of what the commissioners considered to be just and reasonable. This was a change of form but not really one of substance. At the same time the obsolescence allowance was replaced by the modern balancing allowance, and a new initial allowance of one-fifth was introduced.

The year 1949 brought what some people regard as an unfortunate development in the field of wear and tear allowances. Until then the arbiters of the amount of the deduction were the general or special commissioners who gave such a percentage as they considered was just and reasonable. Inside that framework the Board of Inland Revenue arrived at informal agreements with trade associations and the like for appropriate percentages in particular cases, and a list of these was published for the guidance of both taxpayers and commissioners. In 1949 an elaborate new code was introduced under which the Board of Inland Revenue fixed the rates and the power to appeal to the general or special commissioners was replaced by appeal to the Board of Referees. Appeal could be made only in special circumstances and must be for an increase, not a decrease. These changes in principle and the complexities in the new code could be described by the purist as the antithesis of reform but I consider that the administrative scheme laid down in the new code has worked well in practice so that I do not think that any major reform in the code as such is a matter of any urgency.

There is, however, one anomaly of the new code which was pointed out by the first Millard Tucker Committee in 1951, namely, that while ordinary wear and tear is to be based on the plant in use at the end of the basis period, any additional allowance, or reduction, for abnormal working such as heavy overtime is to be related to the year of assessment. The Millard Tucker Committee recommended that both the normal and the additional allowances should be founded on the facts extant in the basis period for the assessment.

Incidentally, that Committee also recommended an extension of the system of initial allowances, but within a week the Chancellor of the Exchequer of the day had announced the coming suspension of all initial allowances. The Committee recommended a system of selective initial allowances and this has to some effect been adopted, for ships and heat insulation and fuel economy plant qualify for investment allowances. These allowances differ from initial allowances in that they do not have to be deducted in arriving at the total capital allowances on the asset in question, but are given over and above the total cost. This can be regarded either as the use of taxa-

tion as an instrument of economic policy, or as a tangible recognition of the difficulty of financing replacements of fixed assets at enhanced costs. Truth probably resides in a combination of the two motives, both of which I personally accept and support.

The 1945 legislation

In his Budget speech in 1944, Sir John Anderson (later Lord Waverley) said that the taxable profits of industry should be:

real profits in the sense that those profits should be struck only after making all proper deductions and allowances, especially adequate allowances such as might be made on a commercial basis for the amortisation of money expended on assets which are used up in the making of profits.

(*Official Report*, April 25, 1945; Vol. 399, c. 672.)

The Finance Act, 1944, provided for a five-year writing off of post-war capital expenditure on scientific research. In the following year the Income Tax Act, 1945, was passed. As I have already said, it increased the wear and tear allowances and introduced the initial allowance. It did several other things, but it did not provide for a universal application of the principle which Sir John Anderson had laid down. The reason is to be found in his speech on the second reading when he pointed to the reduced yield in tax and to the cost of administration, adding that at that stage it was better to confine the changes to encouraging the re-equipment of productive industry, including agriculture. The original idea was to confine initial allowances on machinery to new machinery, but in the event it was also given for secondhand machinery.

The Act of 1945 gave annual allowances for industrial buildings less than fifty years old and provided a 10 per cent. initial allowance for new industrial buildings. Capital expenditure on agricultural or forestry buildings and works was allowed to be written off over ten years, a very generous allowance. Capital expenditure on the acquisition of patent rights could be written off over the life of the patent. At the same time, tax was imposed on the proceeds of sale of patent rights, the charge being spread over six years. In the field of mining and oil extraction, allowances were provided for writing off exploration expenditure and also expenditure on the construction of works which would be of little value when the mine or well was worked out. The annual allowance is 5 per cent., or more if the mine, etc., is likely to be exhausted within twenty years.

Mining amortisation allowances

Accepting Sir John Anderson's statement that profits should be struck after proper amortisation of assets which are used in making the profits, there seems to be no reason why mining concerns should not also have amortisation allowances on the cost of acquiring mineral rights. Where royalties are paid these of course are allowed, so that a mining concern which pays a capital sum to acquire mining rights is subjected to unfair discrimination.

As early as 1920 a Royal Commission on Income Tax, while rejecting amortisation allowances on United Kingdom minerals, did recommend an allowance on overseas minerals, limited to the cost to the first United Kingdom purchaser. A departmental committee made a similar recommendation early in 1949, and this reached the statute book in that year. But this was not really an acceptance of a general principle, it was simply a recognition of the disadvantages suffered by United Kingdom firms carrying on mining ventures abroad in competition with foreign concerns enjoying more liberal tax treatment.

The absence of amortisation allowances for United Kingdom minerals produces some absurd results. A company which purchases gravel deposits and works them, subsequently restoring the land, has to bring all sales into account but cannot make any deduction for the cost of the gravel or for restoring the land. The first Millard Tucker Committee in 1951 put on record its view that allowances for such expenditures ought to be given. This view was repeated by the Royal Commission on the Taxation of Profits and Income in 1955, but still nothing has been done. Some alleviations in other respects recommended by the first Tucker Committee in 1951 were adopted in the Finance Act, 1952, chiefly in favour of overseas mining companies.

Commercial buildings

It is a matter for regret that there is still no depreciation allowance for commercial buildings other than factories. That such buildings do depreciate is obvious enough; one has only to look, for instance, at some of the Oxford Colleges or even Somerset House itself to see that the most solid of buildings do not last for ever. Moreover, rising standards of accommodation and changes of fashion make buildings such as shops and hotels subject to obsolescence in a very big way. The depreciation in value of a building as such is sometimes masked by a rise in the value of the site. This usually represents a fall in the value of money and on occasion other changes, such as a shift in population or the esteem in which a particular locality is regarded by the general public or the business community. These facts should not be allowed, however, to obscure the general principle that allowances should be given for the depreciation in value of assets which wear out or are consumed in the earning of taxable profits.

Depreciation allowances and inflation

The whole system of tax allowances for depreciation is firmly married to the historical cost of the assets concerned. This has been criticised on the ground that in a period of continuing inflation the cost of depreciation in so-called "real terms" is higher (since the eventual replacement of an asset will cost more, sometimes much more) than the sum total of the allowances given on the asset replaced. Although there may be something to be said for this argument as a matter of abstract economic theory, once the historical cost basis is departed from complications can be endless. A general formula would have to be laid down for stepping up depreciation allowances by reference to the fall in the value of the £.

Moreover, it has to be borne in mind that a vast amount of industrial plant and machinery is financed by borrowed money. Few advocates of the change choose to contemplate that some adjustment would have to be made for this but if no such adjustment were made, would not the equity holder be having a tax allowance for the decline in the real value of the fixed interest and preference capital used in the business? Such decline represents a reduction in the rights ranking in front of him and he gains to that extent. No scheme has been produced which is precise and fair enough between various classes of taxpayers to merit inclusion in a taxing Act. Apart from administrative difficulties there is the overriding question whether the owners of businesses, or of ordinary shares who at any rate are not the traditional sufferers from inflation, should have an additional tax cushion against it, while the owners of, say, debentures and government stocks are left unprotected. The ordinary shareholder would indeed be a favoured being if he were insulated against much of the disadvantage of inflation while being allowed to retain the advantages. I do not favour a capital gains tax but I would regard such a tax as a very definite corollary to a system of depreciation allowances based on replacement costs. The one must, in my view, go with the other.

Apart from theory, the system of initial and investment allowances has in fact done a great deal to minimise the adverse effects of inflation on the power of industry to maintain and develop its productive capacity. Save in regard to shipping the running down effect of the present tax system about which we are warned has not yet been very apparent.

The phenomenal growth in the merchant fleets operating under flags of convenience is not, in my view, an illustration of the inadequacy of our system of capital allowances for tax purposes. It is the very alarming result of our having a powerful set of competitors operating completely tax free.

In peacetime the merchant navy is a vital economic factor in the life of the United Kingdom and the Commonwealth whilst in times of war our very existence and survival depend on it. Neither orthodoxy nor precedent should be allowed to stand in the way of reaching a solution which will enable Britain to have a merchant fleet adequate to our needs both in peace and war. Taxation does not represent the whole story but in that sphere I feel that the answer might be to proceed on the lines adopted in the legislation relating to Overseas Trade Corporations, that is, to exempt United Kingdom controlled shipping companies engaged in foreign-going services from all taxes on their trading profits and to tax instead interest paid on debenture and loan stocks and dividends paid to shareholders as and when such are distributed.

Sharkey v. Wernher

Perhaps the most famous dictum about income tax is that of Lord Macnaghten in *London County Council v. Attorney-General* ([1901] A.C. 26, 35):

Income tax, if I may be pardoned for saying so, is a tax on income.

Until not very long ago it was regarded as axiomatic

that a man could not trade with himself so as to make a taxable profit. This axiom received a severe blow in *Sharkey v. Wernher* ([1956] A.C. 58). In that case the taxpayer carried on a stud farm, the profits of which were chargeable to tax, and racing stables which were not a taxable activity. She transferred a horse from the stud farm to the racing stables. Its cost was about £1,800, its market value over £10,000. The House of Lords held that the market value must be credited to the accounts of the stud farm, thus creating what any accountant would regard as an entirely fictitious profit. The point was made that where the market value was less than cost, the taxpayer would complain if the cost figure was taken. But it is inveterate in the computation of profits that unrealised losses, but not unrealised profits, may be brought into account. This is enshrined in the formula for valuing stock: "cost or market value, whichever is the lower."

The repercussions of *Sharkey v. Wernher* have been very far-reaching. It penalises the trader who quite legitimately uses at home some of the goods in which he deals, and the builder who builds a house for his daughter as a wedding present, whilst it enhances the loss claim of the "clean boot" farmer. One wonders whether there are now regrets in Somerset House at that case having been taken to the House of Lords.

III. OVERSEAS TRADE CORPORATIONS

The case for exempting overseas profits from United Kingdom tax was examined at considerable length in Chapter 24 of the final Report of the Royal Commission. The scheme of the revolutionary new legislation in Part IV of the Finance Act, 1957, is to exempt from taxation the trading profits of "overseas trade corporations" (i.e. broadly speaking those companies which are resident here but carry on a trade abroad) when they are earned but to charge income tax on those profits when distributed to shareholders. Although the Act itself starts off by using the word "dividends" this is given a very wide meaning and in the Schedules to the Act the term is "relevant distributions." For brevity I will call them "distributions," and I will use the expression "O.T.C." for overseas trade corporation.

Where distributions are made by an O.T.C. which has both exempt trading income and investment income, the distributions are to be treated as made *pro rata* from these respective sources. Income tax, but not profits tax, is charged on the O.T.C. in respect of distributions it is deemed to have made out of its exempt trading income. The amount assessable is the gross equivalent of the actual sum paid, grossed up at the standard rate in force at the time of payment. However, the O.T.C. is entitled to double tax relief where the profits out of which the distribution is made have borne overseas tax. Companies receiving distributions from O.T.C.s must bring them into account for profits tax; they are not franked investment income. Different rules apply however when the recipient is also an O.T.C. and is the principal or a fellow subsidiary of the payer.

A non-resident shareholder is entitled to repayment of

the tax paid by the O.T.C. on his dividend, but only at the net rate after taking into account any double tax relief granted to the O.T.C. One O.T.C. receiving a distribution from another O.T.C. (both being members of one group of companies) can also reclaim the relevant tax.

The 1957 legislation made considerable inroads into two fundamental principles of United Kingdom tax law, namely that income tax extends to (1) all income arising in the United Kingdom no matter whose it is, and (2) all income of United Kingdom residents no matter where that income arises. But it did not go far enough. As pointed out in an article in *The Times* of June 30, 1958, the main reason why the new relief is so limited in scope lies in the failure of the legislature to adopt a most important aspect of the recommendation of the Royal Commission; namely that the relief should cover the profits of subsidiary companies resident abroad; only income from "portfolio investments" remaining taxable. The Act excludes non-resident subsidiaries from its benefits and also dividends, royalties and other income received by O.T.C.s from such non-resident subsidiaries. Moreover, the extremely complicated provisions relating to distributions, including loans and grants, have the effect of restricting very materially the mobility of funds earned overseas and well-nigh preclude centralised banking in the case of groups of companies. It is perfectly true that one overseas subsidiary of an O.T.C. can remit profits to another by way of loan without the O.T.C. incurring a charge to United Kingdom tax, but such inter-company loans cannot be made between the O.T.C. itself and its non-resident subsidiaries. This greatly restricts the mobility of capital and is, in my view, much to be deplored.

IV. BASIS OF ASSESSMENT TO INCOME TAX

Pitt's tax of 1799 provided that assessments on business profits should be based on the profit of the preceding year, but gave the taxpayer the option to take the average of the three preceding years. Addington's tax of 1803 adopted the average of the three preceding years as the normal basis, and this persisted until 1926. At first the taxpayer had an option to take the profit of the current year but a Departmental Committee set up in 1904 recommended that this option should be discontinued as being too generous, and this was done in 1907. The option was retained for commencing and cessation years.

The disadvantage of the three-year average was that profit of an exceptionally good year went on inflating the taxpayer's liability long after the profit was spent. A Royal Commission in 1920 recommended a new code of rules relating to the basis of assessment under Schedule D which has persisted to the present day, despite the many criticisms to which it has been subjected. The normal basis is the profit of the preceding year, so that tax on business profits still bears no necessary relationship to current profits. This may cause considerable hardship, particularly in the case of partnerships where fluctuations in profits are accompanied by changes in the basis of division between the partners.

Another disadvantage of the present system lies in the

complicated provisions for the opening and closing years of a business. In the opening years, the profits of one accounting year commonly form the basis for two separate tax years, and may in exceptional cases form the basis for three tax years. The taxpayer has the option to have the assessments for the second and third years, as well as the first, based on the current profits of the years concerned. On the other hand, in relation to the closing years, the profits of one accounting year may not be reflected in any assessment at all. Thus, as was stated by the first Millard Tucker Committee, over the life of any business it is only by the rarest accident that the total profits assessed exactly equal the total profits made. Moreover, there are further complications whenever the taxpayer decides to change his accounting date. If he hives off part of his business again he suffers, for the preceding year basis means that he pays tax on a part of his business which he no longer owns. On the other hand, if he amalgamates part of another business with his own business, he is in danger of having to pay tax on the current year basis on the grounds that he has discontinued one business and commenced another.

Where business profits suffer double taxation, and one year's profits form the basis of assessment for more than one tax year, then double tax relief for the additional years is lost.

The first Millard Tucker Committee felt unable to recommend the adoption of the current year basis, because of the enormous complications which would result in the case of individuals and partnerships. The Royal Commission, on the other hand, recommended that the change be made for corporate bodies only.

The Royal Commission also recommended the current year basis for assessments on foreign income, a change which would end the hardship referred to above in relation to double tax relief. It recommended no change in respect of assessments under Case III of Schedule D, on such things as interest, since fluctuations here are much less, and moreover the taxpayer can insist on the current year basis on bank interest by making deposits and withdrawals, each new deposit being a separate "source." This fact is emphasised by the Court of Appeal decision last year in *Sangster v. Hart* ([1957] Ch. 329).

To sum up, the preceding year basis is not only illogical but on the one hand it can give rise to major hardship whilst on the other hand on occasion it facilitates tax avoidance. The Institute Council has pressed for years and still continues to do so, that legislation should be introduced that profits and other income assessed to tax under Schedule D should be assessed on a current year basis. Let us hope that our efforts will not prove in vain.

V. LOSSES

In nothing is the patchwork nature of income tax legislation more obvious than in the provisions for the allowance of losses. From the beginnings of the tax, a taxpayer carrying on two or more trades has been allowed to set off the losses of one against the profits of the other. The loss is computed as a kind of negative assessment, so that

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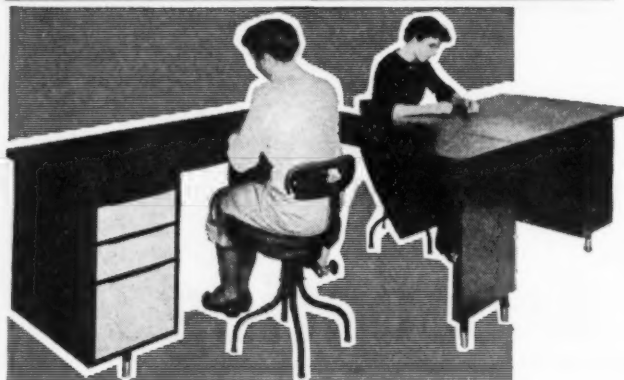
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a loss in the first year's trading might be allowable three times over.

In 1890 the right to set off a trading loss against non-trading income of the same year was granted. Then in 1926, when the three-year average was dropped, the taxpayer was allowed to carry forward a loss against the profits of the same business in subsequent years, limited at first to six years and later made without limit. The past few years have seen further refinements in the already complicated loss provisions, and in the field of partnerships the complexities are almost infinite. What is obviously needed is a new omnibus provision which simply allows a loss to be set off against all other income, whether of the same or subsequent years. There is already a similar provision which is confined to income assessable under Case VI.

Group Subvention Payments

A comparison of the history of professional thought and techniques in regard to group accounts with the long delayed acknowledgment in the sphere of income tax of the economic unity of a holding company and its subsidiaries illustrates the cautious approach to new ideas that seems to hold sway within that edifice in the Strand whose portals for so long bore the inscription "Dead Slow."

The late Sir Gilbert Garnsey's book on *Holding Companies and their Published Accounts* blazed the trail for the profession in 1923. The Committee of the London Stock Exchange promulgated its first requirements on the subject in February, 1939. The Council of the Institute issued in 1944 its recommendation that the presentation of consolidated accounts or similar statements in supplementation of the accounts of holding companies should be regarded as essential from the standpoint of best accounting practice; in 1945 the Cohen Committee recommended that the publication of such group accounts should be made a statutory obligation and this became law in the Companies Act of 1948. Meanwhile, Sir Thomas Robson had published an admirable book on the subject in 1945 and he brought out a revised edition of that book in 1950.

No such progress was discernible in the income tax field for many years despite repeated representations by the Institute and other bodies that some form of group consolidation between holding and subsidiary companies should be permissible for income tax purposes. Ultimately, however, progress came to be recorded in Section 20 of the Finance Act, 1953; the section is long and tortuous but it is fair to say that one has heard few, if any, complaints as to the way it works in practice.

The scheme of the section is that where one associated company makes a subvention payment to another associated company, the sum paid is treated as an allowable expense in the accounts of the paying company and as a trading receipt in the accounts of the recipient company. The test of "association" is the same as for profits tax and must be satisfied throughout the material period. Both paying company and recipient must be resident in the United Kingdom and neither must be an overseas trade

corporation. The section applies only if the payment is made under an agreement for sharing losses or a particular loss and would not otherwise be an admissible expense of the payer or taxable by deduction or otherwise in the hands of the recipient. The reference to the necessity for an agreement is important; it is understood that the Inland Revenue regard this as meaning an arrangement which is capable of being enforced at law, so before the payment is made there must be either a deed or an agreement between the parties with some identifiable consideration passing from the payee. The consideration need not necessarily be adequate but the agreement should be demonstrably for the paying company's benefit; to be safe from any argument that it is *ultra vires*.

Although the relevant agreement must be to bear or share "losses," these are not defined by the section, which in fact limits the allowable extent of a subvention payment to the "deficit" of the recipient or the "surplus" of the payer, whichever is the less. Both deficit and surplus are computed in the same way. The profit (if any) of the accounting period is added to the company's other income (ignoring the subvention payment) for the tax year in which the accounting period ends. From this total are deducted (i) the loss (if any) of the accounting period, (ii) the capital allowances referable to the tax year, and (iii) "annual payments" from which tax is deductible for that year. If the balance is a minus quantity, it is a deficit; otherwise it is a surplus.

Many of the complications which Section 20 has to deal with arise directly from the arbitrary bases of assessment, particularly in commencing and closing years, and provide another argument for adopting the current year basis.

VI. SCHEDULE E

Schedule E originally charged the remuneration from "public offices or employments of profit." All other remuneration from employment was charged under Schedule D. For many years the employees of public corporations like the railway companies were assessed under Schedule E until the House of Lords decision in *Great Western Railway Co. v. Bater* ([1922] 2 A.C. 1), when Lord Sumner caustically observed that a railway clerk did not hold a public office, he merely sat in one. Following that decision all employments assessable under Schedule D were transferred to Schedule E by the Finance Act, 1922.

One perhaps unexpected result of this change is that the persons affected by it were made subject to a much more stringent rule in regard to expenses.

Expense deductions from Schedule E assessments were first sanctioned in 1853, in language that implies that any employee who travels on duty is most likely to do so on horseback. This quaint wording survives in the Income Tax Act of 1952. Restrictive as is the wording of the expenses rule, an even more restrictive meaning has been placed on it by a series of judicial decisions. For instance, a London barrister who held the recordership of Portsmouth was not allowed to deduct the expense of 10s. to carry his tin box containing his robes to and from the Court. As recently as last year the Court held that a

billeting allowance paid to a national serviceman was an assessable emolument of his employment, and that sums paid by him for his billet were not a deductible expense. All suggestions for liberalising the expenses rule, including a recommendation by the Royal Commission in 1955 to which I refer below, have failed, but this year a very limited relief was introduced in the allowance of certain professional subscriptions. This new relief can only be regarded as derisory. Last January the Council made a submission to the Board of Inland Revenue in the following terms:

- (a) The law should be amended so as to authorise the deduction of "all expenses incurred wholly and exclusively for the proper performance of the duties" but with such exceptions as are appropriate on the lines of sub-paragraphs (b) to (n) of Section 137, Income Tax Act, 1952 (Schedule D expenses rule).
- (b) It should be made clear that apportionment is permissible where appropriate such as repairs to a motor car which is used partly for the performance of the duties and partly for private purposes.
- (c) Provision should be made for the deduction of expenses which are incidental to earnings from more than one source, whether assessed under Schedule E or Schedule D, along the lines recommended in paragraph 241 of the Final Report of the Royal Commission on the Taxation of Profits and Income.

Paragraph 241 of the Report of the Royal Commission reads as follows:

We came to the conclusion that the law ought to make some general provision for the travelling expenses that are incidental to multiple employment. We consulted the Board as to the feasibility of this, and we are satisfied that it is feasible to produce a scheme that will be reasonably satisfactory for the purpose that we have in mind, although some detailed provisions will have to be worked out to prevent it from giving a larger measure of relief than would be fair having regard to the general principle of not allowing the cost of travel from home to work.

The outline of what we recommend is as follows:

- (1) The relief should extend to all persons who derive income from more than one source of earning.
- (2) It should be based on the conception that all sources of such income are, for this purpose, one source: that a main source should be selected from among the various sources to represent the normal place of employment: and that all extra expense thrown upon the taxpayer by travelling to the subsidiary sources of employment should be a deductible expense.
- (3) The main source should be determined by the circumstances of the case, in particular, the relative amount of time devoted to it and the relative return from it by way of income. The taxpayer should be required to nominate his main source in the first instance: if the Inspector does not accept it, the taxpayer should have a right of appeal to the General Commissioners.
- (4) The cost of travel to and from home and to the main job would not be allowed.

The mountain has indeed produced a mouse.

Foreign Employment

The antiquated nature of some of the income tax charging provisions to which I have referred gave rise to some remarkable anomalies where there were foreign elements in a person's employment. A line of cases culminating in the House of Lords decision in *McMillan v. Guest* (24 T.C. 190) established that a director of a United Kingdom company who lived and worked wholly abroad was nevertheless chargeable under Schedule E on all his remuneration, because he held a "public office" in the United Kingdom (even though the company might be a "private" company). On the other hand, the House of Lords held in *Harvey v. Breyfogle* (23 T.C. 138) that an employee resident in the United Kingdom and carrying out all his duties here was not chargeable under Schedule E if the contract of employment was made abroad with a foreign employer and the remuneration was payable abroad. Liability was confined to the remuneration actually remitted to this country, and was imposed under Case V of Schedule D as on a "foreign possession." It so happened that Mr. Breyfogle had a foreign domicile but the principle applied in similar circumstances equally to persons of English domicile, and put them in a very favourable position, particularly if their remuneration was not taxable in the country in which it was paid.

The problem was examined in paragraphs 297-307 of the Final Report of the Royal Commission and gave rise to much-needed reforms, introduced by the Finance Act, 1956, and rightly laying more stress on the place where the duties are performed. These reforms preserve the advantage of the remittance basis in the *Breyfogle* type of case, i.e. where the employer is abroad, but only if the employee has a foreign domicile. Subject to that, an employee who is both resident and ordinarily resident in the United Kingdom always pays tax on the whole of his remuneration unless his duties are wholly abroad, in which case he too enjoys the remittance basis. If he is resident but not "ordinarily" resident here and his duties are partly abroad he is charged on the remuneration for duties performed in the United Kingdom, plus remittances of the remuneration for duties performed abroad. If he is not resident, then none of his remuneration earned abroad attracts tax, whether remitted here or not. All remuneration is now assessed under one or other of the three new "cases" of Schedule E, the concept of an employment as a "foreign possession" having been dropped. At the same time, in order to prevent avoidance, the 1956 Act gave a wider scope to what I have called "remittances," for Schedule E purposes, than obtains under Schedule D. Remuneration is treated as received in the United Kingdom if paid, used or enjoyed in or in any manner or form transmitted or brought to the United Kingdom. Time will perhaps tell what precisely is meant by the word "enjoyed." The decision in *Thomson v. Moyse* (*The Times*, July 23, 1958) shows how difficult it is to legislate for every type of case.

Some very hard decisions on the meaning of "resident in the United Kingdom" have produced results which might almost be described as harsh and unconscionable. Section 11 of the 1956 Act effected a much needed reform

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in the rules governing the determination of the residential status of persons working full time in employments, trades or professions abroad. As a result, the question whether a person who works wholly abroad is resident here has to be decided without any regard to whether or not a place of abode is maintained here for his use. This means in effect that even though there is such an abode, he is not automatically treated as resident for every tax year in which he sets foot in the United Kingdom. A more common-sense approach is now possible.

Importing the conception of residence into the Schedule E rules made it necessary to have a specific Schedule E provision about the treatment of temporary visitors. It is contained in the 1956 Act and is substantially the same as the corresponding rule for liability under Schedule D. It follows that, subject to the modification which I have just mentioned, the rich store of case law on that rule applies also to Schedule E.

VII. COMPENSATION FOR LOSS OF INCOME

When a court decision shows up some absurd anomaly in taxation law, Parliament is not usually slow in passing remedial legislation, particularly if the decision means a serious loss of tax. It is remarkable therefore that the House of Lords decision in *British Transport Commission v. Gourley* ([1955] 3 All E.R. 796) still governs the determination of damages where a person's income is adversely affected through personal injuries of breach of contract. The House of Lords has held that in determining the lump-sum damages for loss of earnings or other income, a deduction must be made for the income tax and surtax which that lost income would have borne. This deduction goes entirely to the benefit of the person liable in damages or his underwriters. Thus it is cheaper to maim a rich man than a poor one. However such a principle may be justified in the present state of the law, it is indefensible on moral grounds. A tortfeasor is the last person to be allowed to levy a heavy tax on his own victim.

It would be simple to amend income tax law so as to provide for the taxation of lump sums received as damages for loss of income. Where the lump sum would otherwise attract a high rate of surtax, it could be taxed on a special basis so as to prevent hardship. For instance the surtax charged on the lump sum could be restricted to the rate which would have applied if instead of the lump sum the taxpayer had had his usual income—colloquially known as "top slicing."

VIII. PROVISION FOR RETIREMENT

In 1956 a long-standing injustice was substantially remedied when the recommendations of the second Millard Tucker Committee were largely adopted in the Finance Act of that year. Until that year, although there was generous relief, partly by design and partly by accident, for employees who were members of superannuation schemes, other employees and also self-employed persons were by no means so well off. It was possible to save something, but not very much, for old age by means of endowment policies but the tax relief on the premiums was much restricted, largely as a result of tax avoidance

devices which grew up in the early part of the century. Moreover, if the proceeds of an endowment policy were invested in a life annuity, the whole of the annuity was taxed in full, and not merely the part representing interest. The second Millard Tucker Committee made recommendations with a view to putting all taxpayers who earned their living on a more or less equal footing in relation to provision for retirement. Under the Act of 1956 taxpayers who do not enjoy the benefit of membership of a pension scheme are able to deduct from their taxable incomes the premiums they pay to secure deferred annuities at pension age. The general principle is to exempt the build-up of retirement provisions, but to tax the benefits. Correspondingly, where a life annuity is purchased out of taxed income or out of resources other than those arising from a retirement benefit scheme, only the interest portion of the annuity is taxed. This most important reform is of the highest value to professional men who often have a comparatively short period of maximum earning power, when their income is taxed at such a high rate as to make saving in the ordinary way very difficult. The problems of accumulating funds to pay out the capital of retiring or deceased partners or to finance the ever increasing need for working capital in professional firms remain. Thus the spendable income of the partner in a professional firm is kept down to extremely modest proportions and any idea of amassing a fortune is a thing of the dim and distant past.

IX. SURTAX

General

At present, a bachelor begins to pay surtax as soon as his income, earned or unearned, exceeds £2,000. It is interesting to recall that when surtax was first introduced (under the name of super-tax) it was confined to persons having incomes in excess of £5,000. At that time the standard rate of income tax was only 1s. 2d., and a pound was worth several of the pounds of today. Even in 1920, when the exemption limit was first brought down to £2,000, the pound was worth a good deal more than it is now. In those days, £2,000 represented a really considerable income; today it is comparatively little. The case for increasing the exemption limit is really unanswerable.

The decision last year to add certain of the personal allowances to the exemption limit was a welcome one, but it does not go far enough to be classed as reform. In particular, the earned income relief ought to be added as an incentive to management and the professions.

Company Surtax

One of the hazards hanging over practically every prosperous company which has no quotation on the Stock Exchange is the possibility of a surtax direction, under which its profits are apportioned among the shareholders and charged to surtax accordingly. When this power was first created in 1922, the avowed object was to prevent deliberate surtax avoidance by the device of forming a company and vesting one's fortune or one's business in it, and then borrowing money from the company instead of taking dividends. For this reason the section was made

penal in nature. The direction apportioned the whole income, and not the part of the income which it was reasonable to distribute in dividends. Although the scope of surtax directions has been very much widened since 1922, and applies to companies formed without any regard to surtax and where money is not withdrawn in the guise of capital, nevertheless this penal aspect is retained. Moreover, directions may be made for six years back.

It is true that where the Special Commissioners are investigating a company with a view to making directions, one can as it were buy them off by agreeing to declare a dividend which they consider to be reasonable. However, in those cases the company is in a difficult position for if agreement cannot be reached, it faces the possibility of surtax being levied on its whole income. Clearly it is not right that directions should extend to the whole income, regardless of the company's commitments. If the Special Commissioners can say that a particular distribution is unreasonable, then equally they should be able to say what is reasonable, and there should be a right of appeal on this point.

While the profits tax legislation discriminated against companies which made distributions, there was a kind of gentleman's agreement, with the Chancellor's blessing, under which no directions were made on a trading company which kept up its previous dividends and did not indulge in any device for distributing money in the form of capital. This kind of legislation by warning was most unsatisfactory, particularly as the Special Commissioners regarded themselves as the sole arbiters of whether or not a particular transaction was a breach of the gentlemen's agreement. This Chancellor's umbrella, as it was called, was withdrawn in August, 1957, and although nothing was said about profits tax, it became evident then that the discrimination against distributions had ceased to have any logical basis. In April of this year it was withdrawn.

X. PROFITS TAX

In view of this change, it is perhaps unnecessary to dwell on all the manifest drawbacks of a two-tier profits tax system, under which, for every £1 distributed, the company had to pay to the Exchequer a kind of fine amounting to more than 9s. Those companies which did not distribute all their profits, and of course they could not do so without drawing on reserves to meet the tax, faced a mounting potential liability to distribution charge whenever they should be wound up. I understand that by the time the flat rate was adopted in April, something like £18,000 million of profits had so far been charged at the undistributed rate only, and were potentially subject to a distribution charge sooner or later. Fortunately, this burden has now been removed. Those companies who obeyed the Chancellor's exhortations and ploughed back their profits over the last ten years are now secure in the retention of their reward.

Another aspect of the two-tier system deserves mention. Its abolition involved the repeal of incredibly complex legislative provisions covering many pages of the statute book. Some indication of their combined length is indicated by the fact that the repeal provisions of the

current Finance Act, on this topic alone, cover two pages. Here is taxation reform indeed.

Time and space do not permit me to do more than mention the possibility of a further simplification of company taxation by having a single flat rate charge on all company profits. This would be independent of the standard rate of income tax but credit would be given for it up to the standard rate in assessing dividends which under the system I have in mind would be assessable to income tax on much the same lines as are dividends from overseas trade corporations under the Finance Act, 1957.

XI. ESTATE DUTY

Estate duty has its roots in a humble stamp duty of 5s. imposed on probates of wills and letters of administration in 1694. By 1779 it was an *ad valorem* duty, but with a maximum of only £2 10s. 0d. However, by 1804 the maximum was £6,000, which applied to personal estates worth half a million or more. In 1894 Sir William Harcourt replaced the probate duty by the modern estate duty which is still technically a stamp duty. Like probate duty it is a mutation tax, not an inheritance tax. The two inheritance taxes, legacy duty and succession duty, which accompanied it, were abolished in 1949, the rates of estate duty being stepped up as compensation to the Exchequer.

In 1894 the maximum rate of duty was 8 per cent. and applied only to estates exceeding £1 million, which must have been an enormous fortune in those days. The present maximum rate is 80 per cent.—a tenfold increase. On a comparatively modest estate under £150,000 the present rate is 50 per cent., which is more like confiscation than taxation.

Despite the enormous increase in the incidence of the duty, the framework of the tax remains substantially the same. Indeed, the Act of 1894 incorporated by reference provisions of several earlier Acts dealing with probate duty. Defects in these provisions were of little moment when the tax was low; they are a serious burden when it is high. Although the framework has remained the same, this does not mean that there has been no amending legislation. The legislative provisions governing the duty now extend over nearly eighty different Acts of Parliament. Nor have the more recent Acts tended towards simplification; the opposite is the case. The palm is held by the Finance Act, 1940, which was passed virtually without debate at the time Dunkirk was being evacuated. Lord Simonds stigmatised some of its provisions as:

of unrivalled complexity and difficulty, and couched in language so tortuous and obscure that I am tempted to reject them as meaningless.

(*St. Aubyn Estates Ltd. v. Attorney-General* (1952) A.C. 15.)

A close rival is Section 38 of the Finance Act, 1957, which is aimed at checking avoidance of the taxation of *inter vivos* gifts and covers nearly five pages. In all this welter of confused and confusing legislation estate duty is incapable of being understood except by a very few experts, and like economists they tend to delight in disagreeing. A crying necessity is a consolidation Act

which at the same time will repeal the more archaic provisions and replace them by provisions more suited to the twentieth century. As it is, the energy of the draftsman is devoted mainly to the closing of loopholes, and not at all to rationalisation or simplification.

Estate duty is peculiarly anomalous and harsh in its incidence. Although it is inevitably the beneficiaries who ultimately bear the burden, the amount of that burden is by no means necessarily related to their personal circumstances. A millionaire's estate which is divided among a number of impecunious beneficiaries or goes to a charity bears a much higher rate than a small estate which goes entirely to a sole heir who is already a man of wealth. Moreover, in arriving at the appropriate rate, there may have to be taken into account all kinds of property which is deemed to pass on the death although the deceased had no beneficial interest in it and although it does not go to the beneficiaries of his estate.

As the rate is fixed by reference to the total estate, and not by reference to distinct slices as in the case of surtax, estates at the margin between one rate and another effectually bear tax at 100 per cent on part of the property. There is much to be said for the surtax principle of successively higher rates on distinct slices.

High rates of estate duty, combined with the fall in the value of money, have caused the estate duty burden to be particularly heavy on family businesses, whether carried on through the medium of a private company or not. Moreover, the heavy rates of income surtax and profits tax have added to the difficulty of saving out of income for the purpose of meeting estate duty. The provisions of Sections 46 and 55 of the Finance Act, 1940, were originally conceived as a counter to deliberate estate duty avoidance by the device of vesting one's fortune or one's business in a private company. But these provisions are so framed as to hit cases where a trade is necessarily carried on by means of a company.

Modern technical progress involves the uses and replacement of ever more costly forms of plant and machinery and these in turn react on the amount and rate of estate duty. Some amelioration was introduced in 1954 when the 45 per cent. abatement originally confined to directly-owned agricultural land was extended to industrial buildings, plant and machinery. Where the deceased leaves shares or debentures in a company, this relief is given only when the shares or debentures are valued on the basis of the company's assets under Section 55. It follows that in many cases it pays to ensure that the Section 55 basis applies—a result which can hardly have been intended.

Another relief introduced in 1954 was to permit the substitution of the actual proceeds of sale of shares and debentures which had been valued on the Section 55 basis. Here again, where there has been a sharp fall in value, it may even pay to have the shares valued originally on the Section 55 basis, as the relief does not apply to shares valued on the normal market value basis. Submissions in regard to the granting of this relief in all cases where assets are sold within a reasonable time after the death of the deceased have been made and pressed by the

Council on several occasions.

The present reliefs are hedged about by all kinds of restrictions which add greatly to the already formidable complexities. But they do to some extent help to reduce the undesirable tendency of estate duty to inhibit the building up of flourishing family businesses which are so vital to the economic health of the nation.

An illuminating example of the way in which the pattern of a tax can become distorted lies in the history of the treatment of *inter vivos* gifts. Originally it was only gifts which were to all intents and purposes death-bed gifts which were subject to charge. The original period of vulnerability was three months only, after which the donee could safely dispose of the property. This period was extended to twelve months in 1889 but the rate of duty was comparatively slight, as it was in 1910 when there was a further extension to three years. However, in 1946, when the rates of duty on estates over £12,000 were stepped up, the period was extended to five years. It was little wonder that donors and donees sought ways out of the inchoate liability, and at the same time disclosed weaknesses in the original legislation, which of course was passed at the time when the period was only three months. In an attempt to curb avoidance by making gifts of property which would cease to exist at the donor's death, the Finance Act, 1957, imposed new rules of valuation of *inter vivos* gifts, rules which are contained in a section which covers about five pages.

The high rates and the consequential elaborate game of chess between taxpayer and legislature might be avoided if the burden of duty was spread. For instance, there could well be, as there is in several Commonwealth countries and in the U.S.A., a gift tax which was levied at once. I have obtained from friends overseas notes on the gift duty legislation of Australia, New Zealand and the U.S.A., and these are reproduced in the appendices. If necessary for the protection of the Revenue, the five-year period in regard to *inter vivos* gifts in relation to estate duty could be retained but the gift tax could be available for set off against any eventual estate duty. At the same time, the present 2 per cent. stamp duty on certain voluntary dispositions could be re-examined. It seems a little curious nowadays, however expedient it may have been centuries ago, that the question whether or not a gift should be taxed should depend on whether or not a piece of paper had to be used for effectuating the gift.

Likewise with the idea of spreading the burden more equitably the preferential rate for agricultural property might be made dependent on the property having been owned for a specified period of, say, three or five years before death. This would tend to stop death-bed purchases of such property, a form of avoidance which has little to commend it from the national standpoint.

XII. ALTERNATIVE TAXES

Capital Gains Tax

Much has been said and written for and against some form of capital gains tax as a means of broadening the tax base and spreading the burden of direct taxation more evenly.

Unrealised capital gains are clearly not a practicable

source for taxation. In income tax unrealised gains are not taxed and the difficulties of taxing unrealised capital gains would be even more formidable.

In the realm of realised capital gains, the existing income tax structure provides for taxation wherever it can be held as a matter of fact that the sale of the capital asset was made as part of a trade or an adventure in the nature of trade, and a vast body of case law has grown up which puts a very wide meaning on those words. The question resolves itself into whether realised capital gains not made by way of trade should be taxed. The available evidence strongly supports the view that the practical difficulties of administering such a scheme would be out of proportion to the net gain in revenue. This is particularly so if capital losses had to be taken into account, which would have to be the case if the new tax were to have any claim to being equitable. The unwillingness of the Inland Revenue to tax gains made by private individuals in stock exchange speculations can only be explained by the fact that such a claim would open a floodgate to claims for loss relief by the unsuccessful operators, with the result, *inter alia*, that expenditure on stamp duties and brokers' commission would be set off against income which is at present to a large extent already taxed. There are of course isolated examples of large capital gains being made with complete immunity from taxation, but when the imposition of a new tax is being considered one must have regard to its probable yield and the effect on the community as a whole. The present system can perhaps be improved upon by defining a little more clearly what constitutes a trade, but in general it works satisfactorily and a capital gains tax in an ageing economy such as ours would probably discourage enterprise and initiative to a most detrimental extent. Cricket would be a poor game if there were no boundaries!

Expenditure Tax

I need say no more about an expenditure tax than that it is even less practicable than a capital gains tax. The present system of indirect taxation on so-called non-necessities and luxury goods seems to be infinitely preferable to an annual inquisition into what every individual has spent.

Annual Tax on Wealth

There have been suggestions in some quarters for an annual tax on wealth irrespective of the income, if any, derived from that wealth. In my opinion such a tax would be very bad in principle and the administrative difficulties would be immense.

A death duty is supportable in principle and as I have already indicated I consider that once the principle of a death or inheritance duty is accepted there is something to be said for a gift duty as a logical corollary. However, to tax capital annually as well as taxing the income derived from it would have the most baneful effect on saving and on economic development. It would be like sawing good branches off fruit trees for use as firewood after having picked the fruit or using good pedigree milk cattle for beef when in their prime of life.

As to the administrative aspect, we accountants know how troublesome it can be and how many man hours are taken up agreeing values of assets for estate duty purposes; the thought of having to do this every year even only for every surtax payer will give some indication of the way the staff of the Inland Revenue would have to be multiplied and how arrears of work would pile up in accountants' offices.

In my view, neither an expenditure tax nor an annual tax on capital could be policed satisfactorily. Evasion would be easy and very difficult to detect with the result that the burden of the charge would fall on the shoulders of a disproportionately small fraction of the population. And one last point, just consider how deposits and investments held here by foreigners would take flight and the resultant effect on the sterling exchange.

XIII. CONCLUSION

It is impossible to deal in one paper either with all the reforms which have gone before or with the reforms which still require to be made. Some of the ways in which our present system of direct taxation stand in need of reform stand out more clearly than others. In income tax one would like to see the institution of the current year basis of assessment for all assessments on interest, foreign securities and foreign possessions and the like, and also for business profits where the business is carried on by a corporate body. This would at the same time remove the injustice under which one year's double tax relief is lost. There should be a depreciation allowance for commercial buildings such as shops, offices and hotels, which should not be restricted by any consideration of the increase of the site value. Surtax on company profits should be confined to that part of the company's income which it can reasonably distribute. If tax is to be taken into account in regard to compensation for loss of earnings it should enure to the benefit of the public revenue and not to that of the person who pays the compensation.

Estate duty law should be codified, with a repeal of the more archaic provisions and dead wood and a streamlining of the legislation now contained in the 1940 Finance Act. The possibility of a gift tax, in ultimate relief of estate duty liability, should be considered and the terms on which the reduced rates are charged should be examined.

The views expressed in this paper are entirely personal and no responsibility for them is to be imputed either to my partners or to the Council of the Institute or to any committee on which I may have served.

APPENDICES

Gift Duty Legislation

Appendix A. Australian Gift Duties and their Relation to Death Duties.

Appendix B. Gift Duty in New Zealand.

Appendix C. United States of America Federal Gift Tax and its Interrelation with Federal Estate Duty.

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Taxation Notes

Surtax and Controlled Companies

Now that the umbrella has been furlled, the Special Commissioners are no longer willing, save in exceptional circumstances, to enter into any discussion or offer any advance guidance regarding what would be a reasonable level of distribution of profits for years ended after August 1, 1957. It appears that they have been inundated with draft accounts and are reverting to their former practice: where accounts are submitted under Section 252, Income Tax Act, 1952, in order to get a clearance, and the Special Commissioners are not satisfied with the distribution made, they are still willing to discuss a retrospective dividend at that stage.

Eighth Taxation Conference

Between September 19 and 22, more than six hundred people attended the eighth National Taxation Conference at Southport, run by our contemporary *Taxation*. This year was the first conference at which Mr. Percy F. Hughes, Editor of *Taxation*, has presided. In his opening remarks, he referred to the debt he and his colleagues owed to the late Mr. Ronald Staples, who founded *Taxation* and at the time of his death was its Editor-in-Chief. Mr. Staples had last year raised the hope that the two-tier profits tax charge would be abandoned in favour of a single rate. This alteration had been made. After dealing with minor amendments in taxation that he hoped to see, Mr. Hughes went on to say "I hope that the Chancellor will see fit to amend the provisions of Section 245 by implementing the recommendation of the Royal Commission on the Taxation of Profits and Income that a direction should extend only to what is regarded by the Special Commissioners or the appeal tribunal as the amount of a reasonable distribution." He also prophesied an alleviation in income tax in the next Budget.

After a welcome from the Mayor of Southport, the conference listened to an address by Sir Frederick James, O.B.E., on "Taxation and Industry." Sir Frederick discussed the proportion that taxation bears to national earnings, the simplicity with which companies can be taxed and the main sections of public expenditure.

There was a successful brains trust in which the panel, whose chairman was Sir William Carrington, F.C.A., and which consisted of Mr. J. M. Cooper, A.A.C.C.A., A.C.I.S., Mr. J. S. Heaton, F.C.A., Mr. R. A. Snook and Mr. H. A. R. J. Wilson, F.C.A., explained the sources of quotations from the Income Tax Acts and decided cases which were placed before them by the chairman. Perhaps the only complaint of the audience was that the experts failed to disagree!

Mr. K. S. Carmichael, A.C.A., gave an address on "Points from Decided Cases on Profits Tax." The speaker chose to discuss the cases in relation to the reconstruction of a business by the liquidation of one company and the formation of another. They related to the question whether a company was director-controlled, the issue of shares to trustees and directors holding powers of attorney, directions under the anti-avoidance provisions, and distributions.

Mr. F. Bidston, F.A.C.C.A., F.C.I.S., talked on recent legislation and dealt with the provisions in the Finance Acts, 1957 and 1958, on Overseas Trade Corporations, the profits tax changes, the allowance of professional subscriptions and changes in quick succession relief.

In an interesting address on "How the Finance Bill is Made" Mr. J. Enoch Powell, M.B.E., M.A., M.P., emphasised that the raising of money for government purposes was kept clearly distinct from the spending of that money. This principle must be borne in mind when considering every aspect of Parliamentary procedure concerned with finance.

Mr. J. D. Wells, A.C.A., dealt with some topical points on Schedule E assessments, including one or two anomalies and the question of expenses incurred by the taxpayer assessable under Schedule E.

There was a civic reception and

dance, a reception and cocktail party by Mr. Hughes, and other social activities, including arrangements specially for the ladies. A *Stableford* golf competition held for the *Taxation* challenge cup was won by Mr. G. N. Cann, M.B.E., F.C.A.

In ringing down the curtain on another successful conference, Mr. Hughes looked forward to the ninth National Taxation Conference to be held at Folkestone from October 9 to 12, 1959.

Profits Tax—Liquidation of Company

In the case of the last chargeable accounting period (C.A.P.) in which a company carried on trade or business, so much of any distribution made after the end of the period as is neither a dividend related to the period nor a distribution of capital is a gross relevant distribution (G.R.D.) for that C.A.P. Distributions treated as distributions of capital are not to exceed an amount equal to the total nominal value of the paid-up share capital plus any premiums on shares issued at a premium for cash (Section 35, F.A., 1947). (The excess is referred to as "surplus" in this note.) Assets distributed in kind are to be treated as distributions (Section 36, *ibid*).

Where a C.A.P. is not a period for which the accounts of the trade or business, have been made up, the G.R.D.'s are to be computed in relation to the periods for which accounts have been made up (being periods falling wholly or partly within the C.A.P.) as if those periods were C.A.P.'s, and the resultant figures are then apportioned to specific C.A.P.'s on a time basis (Section 37, *ibid*).

Where an enactment changes any rate of profits tax and directs that it shall have effect from a specified time, and an accounting period which would otherwise have been the C.A.P. bridges the date of change, it is to be divided into a C.A.P. up to the date of change and a C.A.P. from that date. (Paragraph 1 of Schedule 4, Finance Act, 1956.)

The term C.A.P. is defined as any accounting period which falls wholly within the years of charge to profits tax (Section 20, Finance Act, 1937).

In respect of any C.A.P. beginning on or after April 1, 1958, there are to be no differentiations in rates, so that distributions cease to be of any interest. That is not so, however, for any C.A.P. ended before April 1, 1958 (Section 26, Finance Act, 1958).

If, therefore, a company ceased to trade before April 1, 1958, but makes a distribution of surplus on its liquidation, the surplus will be regarded as a G.R.D. in the last C.A.P., no matter when it is made. The new six years' time limit (which will apply to assessments made after the end of 1958) is not to apply to distributions of surplus in such cases unless the person assessable has given notice to the Commissioners of Inland Revenue, after making the distribution, that no further distribution is to be made, and a year has elapsed since he gave such a notice (Section 27, Finance Act, 1958). This provision appears to give the Revenue elbow room in a liquidation which is long drawn out. If six years have elapsed since the end of the last C.A.P. the Revenue has, from the time the liquidator gives notice that he will be making no further distributions, a year before it is debarred from making assessments.

The question then arises: if the last accounting period bridged April 1, 1958, has the distribution of the surplus to be taken as for the last accounting period and split on a time basis, so that the part applicable to the C.A.P. ended on March 31, 1958, will be a G.R.D., or can the distribution be related wholly to the C.A.P. which began on April 1, 1958? Opinions differ on this point, but there seems to the writer of this note to be a bias in favour of the first interpretation, in view of the definition of C.A.P. in Section 20, Finance Act, 1937, mentioned above.

A point arises: what if the liquidator has given notice quite honestly, thinking he had finished the job, and then some new asset turns up?

Finally, it must be borne in mind that whereas a G.R.D. must be apportioned on a time basis, profits may be apportioned on another basis if the Commissioners of Inland Revenue, having regard to any special

circumstances, so direct (Section 20, Finance Act, 1937). While the Commissioners have an absolute discretion in the matter, it is considered by the editor of *Clitas* that where the Commissioners depart from the time basis, their decision as to what are the special circumstances and what their special nature is are both open to review on appeal.

It is understood that the Inland Revenue are prepared in the following cases to agree that no distribution charges will be levied upon the company ceasing business in the circumstances mentioned below in respect of distributions made after March 31, 1958:

(a) If the company ceased to carry on a trade before April 1, 1958, and immediately started another which continued after that date; or

(b) Carried on two trades, one of which ceased before April 1, 1958, while the other continued after that date; or

(c) Ceased to carry on a trade or business before April 1, 1958, and started another trade after that date, providing no distributions were made in the interim period.

Personal Allowances

Since the differentiation in the rates of tax based on total income was abolished in 1920, the design of personal reliefs has remained relatively the same, except that old age relief was introduced in 1925, reliefs for small incomes in 1952 and old age exemption for small incomes in 1957.

Originally, the earned income relief was one-tenth (maximum £200) and the personal allowance was £135 single, £225 married—these amounts being one-tenth below £150 and £250. Likewise, the reduced rate relief was on £225 (£250 less one-tenth). It looks as if the "less one-tenth" idea was actually that giving rise to even more arbitrary amounts. The additional personal allowance on a wife's earned income was nine-tenths (maximum £45, or £50 less one-tenth). The housekeeper allowance was also £45. The child allowance was £36 (£40 less one-tenth) for one and £27 (£30 less one-tenth) for each other. £40 was the limit on a child's

income. Only the dependent relative allowance and relief for an infirm person's daughter—£25—did not conform.

When in 1925 the earned income relief went up to one-sixth (maximum £250) the pattern was destroyed as the other allowances were unchanged until 1928, when the child relief went up to £60 for one and £50 for each other (income limit £60). Since then, fluctuations have occurred in every allowance until we get a pattern today which is no pattern at all; earned income relief of two-ninths up to an earned income of £4,005, and then one-ninth up to a further £5,940, personal allowance £140 single, £240 married, additional personal seven-ninths (maximum £140), child relief £100, £125 or £150 according to age, dependent relative and housekeeper each £60, infirm person's daughter £40 and reduced rates on income up to £360. It needs no emphasis at all that, except for the earned income relief, the reliefs have taken little note of inflation.

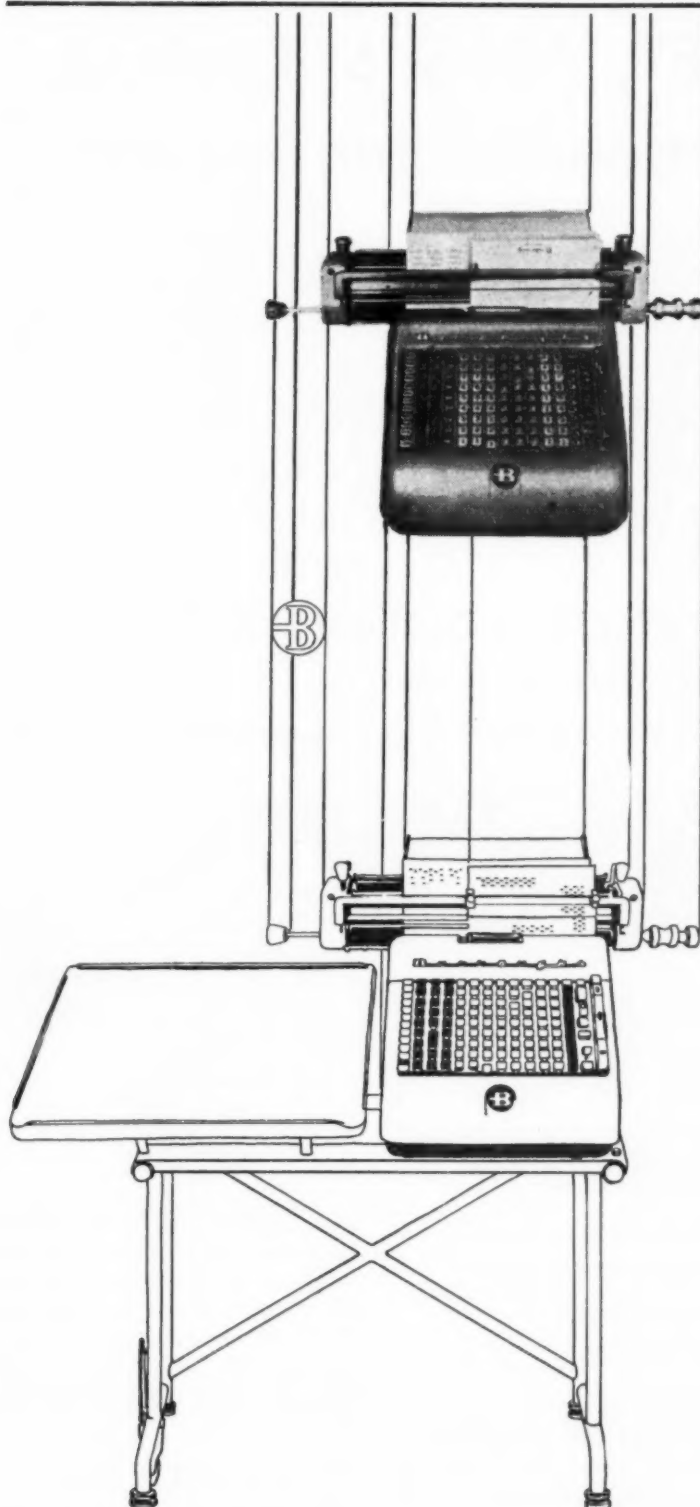
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It is a pleasure again to review these Manuals,* which incorporate in note form matters normally covered in textbooks of several hundred pages. The system of quick reference is helpful to the busy practitioner who needs either a brief answer to a telephone or personal enquiry or a guide to the subject on which he can base his detailed researches. The text is up-to-date, containing the provisions of the latest Finance Act and legal decisions.

The strength of these synopses is, perhaps, also their weakness; the compression of matter into a few pages means, in certain parts, small print which tends to cause eye-strain. *Tolley* is an institution and, as with all well-founded traditions, must not overlook the fact that some of its readers are not so young as they were!

* *Tolley's Income Tax Chart Manual 1958/59* (43rd edition), pp. 127 + viii, price 17s. *Tolley's Synopsis of Profits Tax* (22nd edition), pp. 25, price 6s. *Tolley's Synopsis of Estate Duty* (9th edition), pp. 45, price 6s. *Tolley's Synopsis of Taxation in the Republic of Ireland* pp. 14, price 2s. 6d. *Tolley's Synopsis of Taxation in the Channel Islands and Isle of Man*, pp. 22, price 6s. *Tolley's Tax Tables, 1958/59*, price 4s. 6d.

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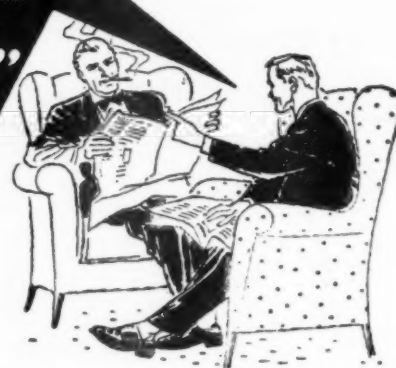
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Recent Tax Cases

By W. B. COWCHER, O.B.E., B.LITT.

Income Tax

Assessments—Meeting of Additional Commissioners at which assessments made—Absence of Clerk—Whether meeting properly constituted and assessments valid—Income Tax Act, 1952, Sections 1, 7, 12, 36, Schedule 1.

In a lengthy note in our issue of July last (page 356) on the case of *Venn v. Franks* (C.A., June 19, 1958, T.R. 201), the present writer drew attention to the fact that it had never been possible within living memory, if at all, to reconcile actual practice in the making of Schedule D assessments with legal precept; and in its final report the recent Royal Commission—see paragraph 947—recommended, not that actual practice should be brought into closer accord with the statutory scheme, but that the making of Schedule D assessments should be completely transferred to the officials of the Inland Revenue. (The report of the 1920 Royal Commission went a long way in this direction, and would probably have gone the whole way but that the Board of Inland Revenue at that time, wishing to avoid hostility from certain quarters, apparently considered the time to be not yet ripe.) Instead, however, of seeking revision by Parliament of the statutory scheme, changes made in 1942, whereby in future one Commissioner was to be sufficient to form a "meeting," undoubtedly facilitated the existing methods of making assessments, although destined to be subjected to the entertaining but scathing irony of Vaisey, J., who in popular parlance "let himself go" when the present case came before him. There was, in fact, no suggestion that a failure to observe statutory provisions had created injustice; and Vaisey, J., whilst deciding in favour of the Crown, made it clear that had the failure to observe a statutory requirement resulted in this he would have redressed it in so far as it was within his power.

The issue in the case was whether in view of the statutory provisions set out in the earlier note the absence of the Clerk from a "meeting" of one Commissioner invalidated it and caused the assessments then made to be a nullity. The consequences, if the contention of counsel for Mr. Franks was upheld, were set out by Jenkins, L.J., at the

commencement of his judgment in favour of the Crown, the only full judgment of a unanimous Court:

The assessments cover the considerable period of 1944/45 to 1953/5. . . . The case before us is simply that they were all invalid, and if that case may be made out, then it may follow that Mr. Franks will be in the fortunate position of being immune from assessment for those years, on the ground that any fresh assessments would be out of time.

He held, after a close examination of the statutory provisions, that the failure of the Clerk to attend any of the meetings at which the assessments under appeal were made and signed did not invalidate the proceedings of that meeting or the assessments then made. In terms of the Act, he found that one Additional Commissioner can constitute a meeting and that the absence of the Clerk did not make "the meeting constituted by him alone into an invalid meeting." At the close of his judgment, Jenkins, L.J., said that it seemed to him that in the particular Division there had been "a considerable laxity in their performance of their statutory functions by the Additional Commissioners"; and, after giving particulars, he said "I commend this case for consideration by the proper authority, with a view, if it is thought right to do so, to improving the administration of the income tax law in that locality." These last remarks were endorsed in the short judgment of Sellers, L.J., who concluded by saying that the duty of the Clerk under Section 7 (2) was a duty imposed on the Clerk and did not impose a duty on anyone else or have anything to do with the constitution of the authority which had to make the assessment under Section 36. Pearce, L.J., simply agreed with what their Lordships had said.

Junior Counsel for the appellant submitted that "public administration has gained considerable benefit from the case" and that in the circumstances each side should pay its own costs. The Court did not agree; and, in view of the recommendation of the Royal Commission mentioned at the commencement of this note, the suggestion showed considerable "courage." The fact of the matter is that the protection of the taxpayer is in no way dependent today upon the Additional Commissioners, but,

save where there is an appeal to the General Commissioners, is solely based upon the high standard of conduct required of and almost invariably observed by the inspectors. Where, as must happen from time to time, a falling short from this standard is revealed, the offender is promptly dealt with as a matter of internal discipline.

Income Tax

Trade—Statutory Board created for the running of totalisators at racecourses—Percentage of takings received by Board—Deduction of expenses—Application of surpluses to be for improvement of breeds of horses or the sport of horse-racing in accordance with scheme approved by Secretary of State—Whether payments under scheme allowable in computing profits of Board for income tax and profits tax—Payment by Board for improvement of racecourses—Whether capital expenditure—Racecourse Betting Act, 1928, Sections 1, 2, 3—Betting and Lotteries Act, 1934, Section 18 (5)—Income Tax Act, 1918, Section 137 (a), (b).

As pointed out in an extended note in our issue of May, 1958 (pages 246–7), the fundamental principle underlying *Young v. Racecourse Betting Control Board* (C.R. May 7, 1958, T.R. 157), is that every socialised undertaking shall contribute to the national common fund or budget. It is, however, one thing to hold to a principle and quite another to put it into effective operation. As pointed out in the earlier note the national Boards created of recent years have been regarded for tax purposes as if the industries remained in the private sector—a method which, as pointed out, has practical advantages but also undoubted drawbacks. One of the difficulties of applying ordinary income tax principles to such Boards is that it is often more than usually hard to draw the line where the earning of profits ends and their application commences.

The Board was set up by the Racecourse Betting Act, 1928, and, *inter alia*, legalised the use of totalisators on racecourses. It operated totalisators on some seventy-odd racecourses in England. By Section 3 of the Act the powers and duties of the Board were set out. By Section 3 (3) the whole of the moneys staked on any race had to be distributed to winners subject to the deduction of a percentage determined by the Board. By Section 3 (4) the Board had to establish a fund known as the "totalisator fund" into which the percentage deducted and any other moneys received by the Board had to

be paid. By Section 3 (6), after payment out of the fund of

all taxes, rates, charges and working expenses, and to the retention of such sums as they think fit to meet contingencies

and discretionary charitable contributions, the Board were to apply the fund from time to time in accordance with a scheme prepared by it and approved by the Home Secretary for purposes conducive to the improvement of breeds of horses or the sport of horse-racing. By Section 18 (5) of the Betting and Lotteries Act, 1934, the scheme to be prepared and approved might include purposes conducive to the advancement and encouragement of veterinary science and education.

The Board, although required to apply the totalisator fund for the purposes above-mentioned had been assessed to income tax for the years 1953/54 and 1954/55 as carrying on the trade of totalisator operator; and, although Counsel for the Board was not prepared to admit unreservedly that it was doing so, Lord Evershed, M.R., giving the only judgment in the Court of Appeal, said it was clear that the Board was carrying on such a trade. Its liability to income tax had therefore to be computed on the same principles as would have applied had it been a commercial enterprise operating for private profit. The issue in the case was whether certain sums paid out of the totalisator fund had been "wholly laid out or expended for the purposes of the trade" within Section 137 (a) of the Income Tax Act, 1952. They fell under six heads:

(1) runner's allowances paid to owners running horses in any race at racecourses with which the Board was concerned at the rate of £1 for every runner.

(2) Sums paid to racecourse owners for use in improvements on racecourses for horse races approved as such by the Board.

(3) Sums paid to owners and trainers towards their expenses in bringing race-horses to the racecourses and so encouraging them to do so. (As to this, the Master of the Rolls said it was clearly proved that the business done by the Board varied in direct proportion to the number of runners, and that in modern times, without assistance, owners and trainers had found the burden of these travelling expenses a serious financial strain.)

(4) Sums paid to assist in meeting the administrative expenses of the Jockey Club, the National Hunt Committee and the like.

(5) Sums paid to assist those responsible for discharging the expenses of point-to-point meetings.

(6) Sums paid to assist and encourage racing under the rules of the Pony Turf Club.

The total sums involved amounted to something over £500,000 in each year.

A distinction was drawn in the case between the first of the above six heads and the other five, it being contended that runners' allowances were a working expense within Section 3 (6) whilst the other five were applications of the totalisator fund but nevertheless allowable in computing the assessable profits of the Board. The Special Commissioners had decided in favour of the Board on all items except No. 2 which they held to be capital expenditure and therefore disallowable. In Paragraph 7 of their case the Special Commissioners had held that all the payments

were made by the Board with the object of increasing the receipts of its totalisators, although such payments might and in all cases did (in the words of Section 3 (6) of the Act of 1928) improve the breed of horses or the sport of horse racing . . .

whilst in Paragraph 12 (4) they had used different terms:

We consider that in this as in other cases we have to determine whether the disputed payments were made wholly and exclusively for the purposes of the Board's trade . . . Upon a full consideration of such evidence and documents we find that all the items . . . were paid wholly and exclusively for the purposes of such trade.

An important issue was whether these findings were such as to be findings of fact which were conclusive, and in the Court of Appeal, Lord Evershed, M.R., pointed out the difference.

When the case came before Upjohn, J., he held that with the deductions set out in Section 3 (6) the trading activities of the Board had come to an end. As regards the runners' allowances, these he held to be *ultra vires* the Board and, in any case, inadmissible equally with the other expenditure. "Working expenses," he held, meant expenses in running the "totes" and had nothing to do with ultimate effects. As regards the expenditure devoted to improvements of racecourses, whilst he held the deduction to be inadmissible, he said that he found much difficulty in thinking that it could be treated as of the enduring character characteristic of capital outlay envisaged by Lord Cave in *Atherton v. British Insulated and Helsby Cables Ltd.* (1906, A.C. 206), and he disagreed with the finding of the Special Commissioners as to its nature. This finding, like that of the Court of Appeal upon the same point and to the same effect, was

made in view of the possibility of the case being carried further.

In the Court of Appeal, the only judgment was given by Lord Evershed, M.R., Ormerod and Morris, L.J.J., agreeing. Whilst the decisions of Upjohn, J., upon the several points were affirmed, his finding that expenditure on the runners' allowances was *ultra vires* was not upheld, the Court not finding it necessary to decide the point, which was to be regarded as entirely open. The Special Commissioners, he said, had treated all the expenses as having been incurred with like intent and for like purposes, and the runners' allowances failed equally with the other expenses. Like certain other expenses, particularly the travelling allowances, they were laid out for purposes not exclusive to the business of the Board, but to some real extent at least for the purpose of assisting and promoting the interests of race-horse owners. Leave was given to appeal to the House of Lords.

There would seem to be two questions in the case. The first was whether the decisions by the Special Commissioners, particularly in view of the words used by them, were findings of fact which were not appealable. The second question, arising only if the first were answered in the negative, is undoubtedly an intriguing one. If the profits arising from the trade, here the operating of "totes," have by Act of Parliament to be applied for purposes conducive to the improvement of breeds of horses or the sport of horse-racing, and to be applied in accordance with a scheme to be prepared by the Board and approved by the Secretary of State, and if the said profits are in fact so applied, can it be said that such applications represent expenditure "wholly and exclusively laid out for the purposes of the trade"? Both Upjohn, J., and the Court of Appeal have answered both questions against the Board; and in the Court of Appeal two passages in the judgment of Upjohn, J., were specifically approved by Lord Evershed, the second of which was as follows:

True enough, the appropriations made coincide with the trading desires of the Board. My comment upon that is how very fortunate it is for the Board. But it cannot turn what is, in essence, a statutory distribution in accordance with an Act of Parliament of a surplus of a fund into a trading activity.

Lord Evershed, however, did not rule out the possibility that in very special circumstances applications of surplus under Section 3 (6) might qualify for deduction as within Section 137 (a).



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Stamp Duties

(1) **Gray and Randolph (Hunter's nominees) v. C.I.R.** (C.A., May 15, 1958, T.R. 165.)

Voluntary disposition—Declaration of trust—Transfer of shares to nominees—Oral direction to nominees to hold shares upon trusts of settlements—Subsequent declarations by nominees as trustees of their so holding—Whether ad valorem duty payable—Statute of Frauds, 1677, Section 9—Finance (1909-10) Act 1910, Section 74—Law of Property Act, 1925, Section 53.

(2) **Oughtred v. C.I.R.** (C.A., May 15, 1958, T.R. 177.)

Deed of transfer of shares—Tenant for life of shares under settlement—Son of tenant for life absolutely and indefeasibly entitled to shares subject to mother's life interest—Oral agreement for release by son of interest in settlement in exchange for shares owned by mother—Subsequent release of trustees by deed—Whether deed to be stamped ad valorem—Repayment of stamp duty—Whether interest payable thereon—Stamp Act, 1891, Section 54—Law of Property Act, 1925, Section 58—Law Reform (Miscellaneous Provisions) Act, 1934, Sections 3 & 4.

These two cases, heard consecutively and decided on the same days in the Chancery Division and the Court of Appeal, were noted in our issue of April, 1958 (pages 193-4); and that note drew attention to the "voluntary" element in stamp duties and the dangers to the Revenue inherent in the registration of shareholdings in the names of nominees. Both the cases raised originally much the same legal issue and, although they took a different course in the Court of Appeal, revealed a method of avoidance which if given legal countenance would be highly dangerous to the Revenue and call for prompt remedial legislation.

In the first case, **Gray and Randolph, Hunter's nominees v. C.I.R.**, a Mr. Hunter had in 1949 made five settlements of property, one upon each of his five young grandchildren, and in 1950 he had made a sixth settlement of similar character. On February 1, 1955, he had transferred to the appellants as his nominees 18,000 shares of £1 each in Sun Engraving Co. Ltd., and, as the trustees took no beneficial interests in the shares, they held them for Mr. Hunter absolutely. On February 18, 1955, seventeen days after the transfer to the trustees, at the offices of the company and in the presence of the trustees and the senior partner in a firm of solicitors, he had orally directed the trustees thenceforth to hold the said shares "irrevo-

cably" in six separate blocks of 3,000 shares each upon the trusts of the six settlements above-mentioned and to the entire exclusion of himself from all interest in them. Five weeks later, on March 25, the appellants as trustees had executed six declarations of trust, all in the same form and each reciting the antecedent facts and the acceptance by the appellants of the trusts reposed in them by Mr. Hunter's directions.

The operative part of each of the deeds witnessed that the appellants acknowledged and declared that as from February 18, 1955, they had been holding the shares upon the trusts of the original settlements and that they were to be additions to and one with the original trust funds. The question in the case was, as Lord Evershed, M.R., stated in his judgment, what was "the effect, if any, of Mr. Hunter's directions at the meeting upon February 18, 1955." Earlier, he had elaborated the question as follows:

whether certain directions orally given to the trustees of a person competent by virtue of his interest to give them, which the instruments recited and according to their language intended to confirm, were effective in law to establish the trusts thereby specified, or whether they constituted "a disposition of an equitable interest or trust subsisting at the time of the disposition" within the terms of Section 53 (1) (c) of the Law of Property Act, 1925, and so failed of effect through want of writing.

The argument for the trustees was that, upon the oral directions given by Mr. Hunter on February 18, his equitable interest in the shares passed from him and vested as to each block of shares upon the trusts of the 1949 and 1950 settlements. The trusts were then completely declared and nothing remained to be done, with the consequence that no property passed by virtue of the trustees' declarations of March 25 and there was nothing to be stamped *ad valorem*. In the end, the whole case was found to depend upon the meaning to be given to a single word. By Section 9 of the Statute of Frauds, 1677:

... all grants and assignments of any trust or confidence shall ... be in writing ... or shall ... be utterly void and of none effect.

Section 9 had been repealed by the Law of Property Act, 1925, and replaced by Section 53 (1) (c) of the Act which reads:

a disposition of an equitable interest or trust subsisting at the time of the disposition, must be in writing ...

and the crucial question was found to be the meaning to be attached to the word

"disposition" in the above passage. Upjohn, J., had decided in favour of the trustees, and Lord Evershed in his minority judgment said that if the question had arisen under Section 9 of the Statute of Frauds it was reasonably clear that it would have been answered as in Upjohn, J.'s judgment because, to his own mind, the transaction of February 18, 1955, could not have been described as constituting or operating as a "grant or assignment of a trust or confidence." If, as the Crown contended, although the Act of 1925 was a consolidating Act, effect had to be given to the change of language, then, as Upjohn, J., had pointed out, the change of meaning had not been noticed by the well-known textbooks for a period of over thirty years. If the word "disposition" had to be given its widest significance, then, Lord Evershed said, the question was whether the validity of a parol declaration of trust of personalty survived. He agreed with Upjohn, J.'s conclusion that the word "disposition" in Section 53 (1) (c) did not cover what Mr. Hunter did on February 18, 1955.

Morris, L.J., in a careful judgment, said it had first to be considered what Mr. Hunter did or purported to do on February 18, 1955:

Did he purport to effect a direct assignment of his equitable interest to some third party or parties? It seems to me that he did not. Did he purport to declare himself a trustee for others of his existing equitable interest? Again, it seems to me that he did not. Nor did he enter into any contract for valuable consideration to assign his equitable interest to some party.

Passing from these negatives his Lordship came to a positive conclusion:

What he did was to direct the trustees that for the future they were to hold the trust property not for him but on certain trusts which he declared: his equitable interest was to be completely determined.

The limited issue in the case, said Lord Morris, was whether there was a purported "disposition" of Mr. Hunter's interest. If there was, then it was ineffective for lack of writing. His conclusion was that the word "disposition" in Section 53 had to be given a normal meaning and that it was a word of wide significance. Before February 18, Mr. Hunter possessed a subsisting equitable interest in the shares. He had, said his Lordship, terminated that interest and informed his trustees that they should no longer hold for him but on the substituted trusts, and he could not resist the conclusion that it was a purported "disposition" by him of his interest. In this connection, he referred to a dictum

by Lord Goddard in *C.I.R. v. Buchanan* (1956, Ch. 289; 36 A.T.C. 36; 37 T.C., at page 374,) where he had held that if a person had an interest in a fund and surrendered that interest he had "disposed" of it. Mr. Hunter's oral purported disposition of February 18 was, he held, ineffective because of Section 51 (1) (3); but the instruments of March 25 had been made operative and effective by the parties thereto and were chargeable to *ad valorem* duty under Section 74 of the Finance (1909-10) Act, 1910.

Ormerod, L.J., agreed with Morris, L.J. Up to the moment of Mr. Hunter's declaration on February 18, he had, his Lordship said, a subsisting equitable interest in the shares which then ceased to be vested in him. Either it was transferred by him to the trustees for them to hold in trust for the beneficiaries or it ceased to exist and a new equitable interest was created in the terms of the direction. If, contrary to his opinion, it was a transfer of the settlor's interest it could not be argued that it was not a "disposition" within Section 53. He held that it was certainly not a transfer in the nature of an assignment and if the word "disposition" in Section 53 (1) (c) was so restricted as to be confined to the "grants and assignments" of Section 9 of the Statute of Frauds, then the case would not, in his opinion, have been within the Section. He concluded his analysis of the position by holding that the wider construction of Section 53 was the right one and that the word "disposition" must be given its normal meaning, with the result that the transaction of February 18, 1955, was void for want of writing and the declaration of trust of March 25, 1955, was liable to be stamped *ad valorem*. Leave was given to appeal to the House of Lords.

In *Oughtred v. C.I.R.*, the facts were very different although the issue was superficially similar. As Lord Evershed, M.R., said in giving the decision of the Court of Appeal, the question was whether a transfer of shares in ordinary form was chargeable with *ad valorem* stamp duty, as upon a sale by reference to the consideration therefor, or only with the sum of ten shillings. The respondent in the Court of Appeal had the beneficial enjoyment during her life of 100,000 £1 Preference shares and 100,000 £1 Ordinary shares of William Jackson & Son Ltd. standing in the names of the trustees (including herself) of a settlement dated January 1, 1924. Consequent on an irrevocable appointment in favour of her only son (hereinafter called "Peter"), made pursuant

to a power contained in the settlement, the reversionary beneficial interest in the shares belonged absolutely to him. On June 18, 1956, mother and son had agreed orally that the son should exchange his reversionary interest for 28,510 Preference shares of 10s. each and 44,190 Ordinary shares of 10s. each in the company belonging absolutely to Mrs. Oughtred, to the intent that her life interest should be enlarged into absolute ownership.

On June 26, 1956, three deeds had been executed, namely (1) a deed of release whereby Mrs. Oughtred and Peter gave the trustees of the 1924 settlement a complete release and discharge from all their obligations as trustees; (2) a deed of transfer, the subject of the appeal, of the 200,000 shares in William Jackson & Son, Ltd. from the trustees of the 1924 settlement to Mrs. Oughtred; and (3) a deed of transfer of the consideration shares from Mrs. Oughtred to her son's nominees. In his judgment, Lord Evershed, M.R., said he mentioned the three deeds in the order most favourable to Mrs. Oughtred but there had been no evidence or finding as to the order in which the deeds had been actually executed, and in the judgment of the Court they should be regarded as having been executed contemporaneously. It was, said his Lordship, the contention of the Crown that the oral contract of June 18, 1956, had been ineffective to transfer Peter's reversionary interest to his mother. Upjohn, J., however, had rejected this argument on the ground that, as a result of the oral contract, Peter had, in any case, become a constructive trustee for his mother, that Section 53 (2) of the Law of Property Act, 1925, excepted constructive trusts from the operation of Section 53 (1), and that the result was the same as though Peter had on June 18 effectively assigned his interest to his mother, leaving the legal estate in the trustees—upon trust for his mother absolutely. Lord Evershed, M.R., said that the Crown had presented its case somewhat differently in their Court and, in the end, the question under Section 53 of the Law of Property Act, 1925, did not in the Court's opinion strictly call for a decision. They were not, however, prepared to accept the conclusion of Upjohn, J., as to the effect of the Section.

Counsel in their Court had, Lord Evershed said, put the Crown's case alternatively. Since by the effect of the transfer on June 26 Mrs. Oughtred had acquired a full legal and beneficial title

to the shares, the transfer must have operated to assign to her both Peter's reversionary interest and also the legal estate. On this view, said his Lordship, the transfer would be stamped both *ad valorem* in respect of the former and with ten shillings in respect of the latter. The alternative argument of the Crown was that the transfer, in the light of the contemporaneous transfer of shares by Mrs. Oughtred to Peter's nominees and of the deed of release, was nothing more than the completion of the oral contract, and so was a "conveyance or transfer on sale of property" within Section 54 and the First Schedule to the Stamp Act, 1891. Apart from the point under Section 53, the Crown's first alternative was in the judgment of the Court, said Lord Evershed, faced with the formidable objection that if the transfer on June 26 operated to transfer Peter's interest as a distinct item of property and as such requiring the additional ten shillings duty it was difficult to see how this was achieved without his being a conveying party. The Court, said Lord Evershed, found it unnecessary to express its view on this because they had concluded that the Crown succeeded on the second alternative. The terms of the deed of release, one of the three deeds executed on June 26, were in the Court's judgment of vital significance. It recited that on June 18, Peter and his mother

had agreed that they would on June 26 (italicised in the report) exchange his reversionary interest for her shares "to the intent that (Mrs. Oughtred's life interest) should be enlarged into absolute ownership thereof."

But the operative part was, he said,

now in consideration of the premises and of the transfer to be made as aforesaid (italicised in the report),

and in the Court's judgment the proper conclusion was that the transfer of June 26 constituted, as was intended and contemplated, the completion of the oral bargain made on June 18, and so constituted the conveyance consequent upon and in implementation of the contract for sale. Leave was given to appeal to the House of Lords.

Of the two cases, Hunter's, as having a general application, was obviously the more important. The fact that judges of the calibre of Upjohn, J., and Lord Evershed differed from the majority of the Court of Appeal will make the decision of the House of Lords, if the case is taken there, of more than usual interest and importance in a highly technical field.

The Month in the City

Increasing Confidence

A month ago it was possible to put on record a period of almost continuously rising prices for investment stock, interrupted only towards the end of the month by troubles in the Far East. September started well, despite worsening news from the Formosan Straits, and, though the same course then produced a short setback, fixed interest stocks and equity shares in industry recovered, to go ahead even better than they had done in August. Hesitancy in the markets has been largely confined to gold shares and the shares of some other commodity-producing concerns. As is related below, one of the features of the month was a spectacular collapse in tin prices but, that apart, raw material prices were rather steadier than for some time past. If one were asked to account for the marked and continuing improvement in stock values one would have to adduce as the two main longer-term factors the growing evidence that the American recession has now definitely turned into a recovery and the belief, based on public opinion polls, that the Conservative Government have regained the popularity they had lost. But apart from these matters promising to affect the longer term—either of which may in the event prove to be transient—there have been some signs that this country, and in particular its overseas balance, is in a much healthier condition than seemed probable a year ago when Mr. Thorneycroft was forced to take the drastic steps of raising Bank Rate to 7 per cent. and imposing new credit controls.

Confidence in Sterling

The first favourable pointer of the month was the announcement of an increase, at \$5 million admittedly a small one, in the gold and dollar reserves during August. It was the first rise in that month for five years. It was revealed at the same time that outstanding sterling balances had started to rise in the second quarter of the year after a series of falls. This turn, and the fact that towards the end of the month the exports of the rest of the sterling area were tending downwards, are the principal adverse influences in the situation. It seems a favourable consideration that,

while prices and rates of interest are rising in the United States, both are falling here. Quite early in the month the Treasury bill rate was at its lowest for 3½ years and it has fallen further since; by September 18 the discount on forward sterling to three months was only just over ½ cent, the lowest since 1955. The rates for sterling, both spot and forward, improved on the month of September, as had both transferable and security sterling, while the rates on most Continental centres showed the same trend. The value of pound notes had risen also, except in Paris, where the fall may reasonably be regarded as arising from the strength of the franc on hopes that the new régime will be more successful than its predecessors. On the other hand, it is true that industrial output lags and that the make of steel was in August 20 per cent. down on a year before, compared with falls of 13 per cent. in July and 10 per cent. in June. If in face of the bad performance of industry the general level of shares continues to rise it is a result of the longer-term factors rather than of hopes for good things in the immediate future. The net effect of all the various influences, as reflected in the indices of the *Financial Times* between August 29 and September 30, is as follows: Government securities up from 83.60 to 84.98; fixed interest from 91.51 to 92.51; industrial Ordinary shares from 185.1 to 197.8 after touching 196.7, and gold shares little changed at 79.1 against 78.3. It should be pointed out that, according to these figures, the margin between the yield on Old Consols and industrial equities, which was about 1½ points some six months ago and 1.1 at end-August, is now only 0.83 per cent.

Demand on Savings

One of the factors which may help to account for the strength of markets is the paucity of new issues. It is true that there have been a number of them, but they were mostly small and many were either issues of rights or private placings. The one substantial borrower, and one who appears very rarely in the market, was the *Metropolitan Water Board*, which about the middle of the month announced the offer of £5 million 5½ per

cent. stock 1976-80 at an issue price of 99. The issue had a very good reception at once—the issue was covered over three times by applications and while those who asked for £100 stock got it all, other applications were cut to around 35 per cent.—and the expectation of a small premium at the opening was realised. Another issue for which authority is to be sought will be made by the *Bank of London and South America*, which proposes a one-for-two rights issue. As is usual in time of recession, there have been a number of suggestions for amalgamation or for joint action by two or more companies in a specific field. A further factor tending to keep price rises within limits has been the belief that the Government is continuing its process of funding by sales on the market and there has recently been talk of a further issue of medium-short stock—perhaps eight-year bonds—as a step towards further funding. It would appear that so far the Treasury is not making any contribution to inflation but is, by and large, covering its requirements by these sales. Whether it is this fact which encouraged Mr. Amory at the Montreal Conference to promise rather complex forms of further financial assistance to the under-developed countries is not known. Indeed, more information on just what is involved would be welcome.

Collapse in Tin Prices

The month started for tin with a rally in the prices from the buffer stock buying level of £730 per ton to £745½ on the announcement that the United Kingdom was imposing a limit on imports of tin "dumped" by Russia. Prices were held relatively steady until September 18 when, it is assumed, both the buffer stock under the tin agreement and the special fund, established in January last, ceased to operate. The result was a drop of £90 in the price, to £640. After a period of silence the conference, which had been sitting in London, let it be known that no action was intended for the time being and that reliance would be placed on the establishment of a new equilibrium by limitation of imports from Russia and revival of demand in the United States. The price later recovered to around £722. There is a strong desire to keep the agreement in being, with perhaps the addition of Russia to the membership, but it seems evident that if it is to function in a manner satisfactory to producers and consumers alike the agreement must be even wider and must have greater flexibility.

Points From Published Accounts

A Model Presentation

The accounts of *Edgar Allen* have long been regarded as a model presentation. They are attractively laid out with important headings picked out in red, and red and green rules, cleverly used, break up the page; the simple expedient of printing a red rule down the middle of six columns of figures in the notes section to the balance sheets is remarkably effective. As in previous years, the chairman's statement is enclosed in a separate booklet, and in presentation makes an effective contrast with the accounts. Though the chairman's statement is obviously designed to be the main source of reference for any shareholder wishing to obtain amplified information about the activities of the group during the year, and in a wider context also, the accounts are certainly not bereft of ancillary information—a six-year financial record, details of the principal products manufactured and of subsidiary companies in the group, and a list of associated companies, branch offices and agencies, are all appended. Without going to elaborate use of pictures and coloured graphs, these accounts, taken in conjunction with the chairman's statement, provide a very effective amount of information about the business.

Separable Accounts

One wonders why more companies in the habit of presenting bulky and elaborate accounts do not follow the example of *IBM United Kingdom* and print the accounts on a different coloured paper so that they stand out and may be referred to quickly. In this instance, the chairman's statement, directors' report, the profit and loss accounts and balance sheet are most attractively laid out on a stone-coloured paper inserted between the leaves of art paper devoted to more general topics. In effect, this is really two publications in one—a complete set of accounts set inside a well illustrated brochure. Such an arrangement has a practical application, for often shareholders and others wish to file the accounts each year but are not necessarily so concerned with the additional matter accompanying them. With some elaborate presentations it is im-

possible to separate profit and loss account and balance sheet from the rest. With IBM's method, it is simplicity itself. Clarity has obviously been the main aim of those responsible for the presentation of IBM's accounts, and they have succeeded while at the same time making the whole publication attractive in appearance and a valuable promoter of prestige.

A New Idea

For several years now, *Vitamins Group* has marked itself as a concern that is keenly interested in the presentation of annual accounts. Now, its accounts for the year ended March 31 last appear in an entirely new format—a unique presentation, in fact, because the actual balance sheets and profit and loss account appear as a single, folded sheet, tucked into a pocket in the inside front cover of the chairman's report.

Let us say at the start that we like the vigour of this presentation. It blows a fresh wind on this absorbing topic of presentation. The way the accounts are laid out cannot be faulted. The figures are clear, and although two years' comparative figures are provided, both for the group balance sheet and that of the parent, there is no real difficulty in reading them, because different colours are used for each year. Sensibly, the compilers of these accounts have avoided the mistake that so many companies fall into when they try to compress too much into one page: here the page has been expanded to take the figures which it must carry. It is a sensible approach, and the final result is well worth the trouble that has obviously been taken. Shareholders can now see the whole financial presentation without having to turn over any pages—even the notes are neatly laid alongside the balance sheets, and immediately below the profit and loss account.

The layout of the accounts themselves calls for little comment, being quite straightforward. No attempt has been made to abbreviate them, relegating what might be considered important items to the notes section. The balance sheets read from top to bottom in the "capital employed," and "employment of capital" style, which many consider

clearer than the older orthodox style of assets on the right and liabilities on the left. The prime profit in the profit and loss account is struck after deducting directors' emoluments, depreciation, interest, and auditor's remuneration—a treatment that seems to be growing generally—but the totals of these items are given to make adding back that much easier. It is an inspired touch, in keeping with the whole presentation, to pick out the important totals with a maroon arrow head to make for instant recognition.

Vitamins Group has certainly hit upon a presentation open to considerable development. The basic idea will appear to many to be sound, but some will make the obvious criticism that the tucking of the accounts into a pocket in the chairman's statement tends (psychologically speaking, at all events) to suggest that they are of less importance. But a fully explanatory chairman's statement is often worth far more to the uninitiated than a set of balance sheet figures.

Then again, having gone to so much trouble to lay the figures out so well, and to release the chairman's statement from all encumbrances, it seems a pity that the opportunity was not taken to provide shareholders with more ancillary information—a ten-year profit record, for example. Finally, it would have been good to see the actual presentation of the balance sheet moving in keeping with the progressiveness shown by this business in other avenues of presentation. Why not, for example, eliminate separate transfers to reserves altogether, and so make the presentation neater still? These, we hope, are constructive criticisms. *Vitamins Group* has put forward a new idea boldly, and it says much for the new format that it is open only to quibbles about minor details.

The London Discussion Group of the Institute of Chartered Accountants of Scotland has arranged the following meetings and invites members of the English Institute to attend.

November 25, 1958.—"The Aims and Responsibilities of the Trades Unions in the Changing Structure of Society," by Mr. G. Woodcock, Assistant General Secretary of the Trades Union Congress.

January 20, 1959.—"The Potentialities of a Computer in the Smaller Business," by Mr. G. A. Randell, B.Sc., of Leo Computers Ltd.

Both meetings will be held in the Oak Hall of the Institute of Chartered Accountants in England and Wales, Moorgate Place, London, E.C.2.

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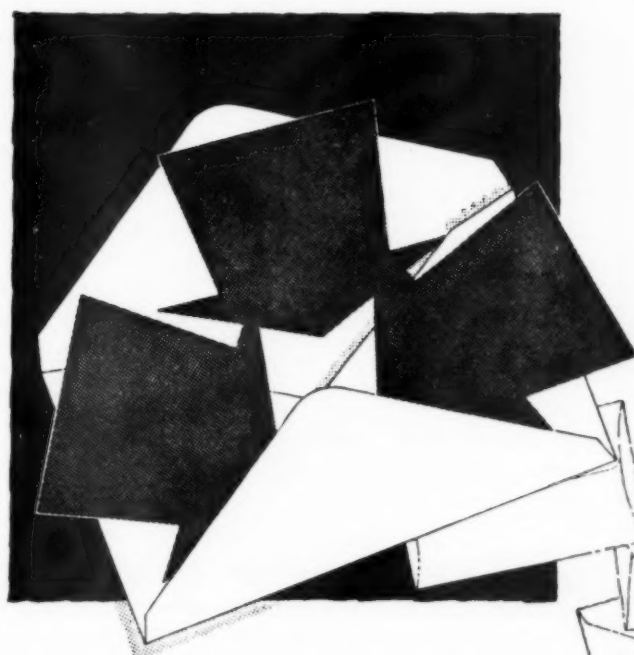
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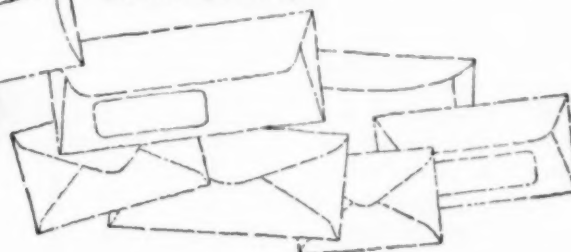
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Letters to the Editor

Marginal Costing

Sir,—I have read with interest Mr. Williams's letter (ACCOUNTANCY, September, pages 474-5), on the article published in the August issue.

I have little argument with what Mr. Williams says, although it misses the point of the article. This was aimed at correcting Mr. Muir's assertion that accountants tried to measure marginal cost by the use of the concept of "directness", which, as stated in the article, was aimed at measuring not cost variability but ease of cost apportionment.

The question of the overall pros and cons of marginal costing was only touched on indirectly. (Previous articles have dealt with this in ACCOUNTANCY.) However, at the end of the article there was reference to the marriage of marginal costing with cost accountancy—which can hardly be said to amount to a condemnation of marginal costing.

More specifically, Mr. Williams's letter gives rise to the following points:

(a) Although an overwhelming case can be made out for the "marginal concept" (taking of decisions in terms of cost opportunity and variability), this does not mean that the marginal concept cannot be used with average costing methods. Many firms broadly classify costs into fixed and variable, which is the first stage in marginal costing, and make marginal concept decisions despite their continued use of average costing. To imagine that firms get confused by fixed costs is an exaggeration—the point is how accurate the measurement of marginal cost is, whether apportionment (with average cost) is necessary besides marginal cost, and whether the marginal concept is yet fully understood by management.

(b) I disagree with Mr. Williams's point (i). Although I agree cost must be controlled at the source, this does not mean that cost cannot be affected at any other point. Mr. Williams says "the apportionment of steam generating costs over user departments may be a nice mathematical exercise, but it will have no effect on the cost of steam generated." This just is not true! There are certain fixed costs in generation which will not vary with output, and apportionment of these on marginal grounds can therefore be said to have no advantage—but what of the large elements of variable costs in steam generation? If Dept. X demands 100,000 lbs. of steam per month, then the variable cost of producing this steam must be charged to Dept. X; otherwise its operating cost will be understated.

I favour marginal costing as being suitable in many firms and industries, but marginal costing must not be used as a

method of cheapening or quickening costing—purely with that aim in view. It must be used as a method of getting a better basis of cost which will enable management to have a full understanding of the facts and the alternatives facing them.

Yours faithfully,

ALLEN SHEPPARD, B.SC.(ECON.)

Ilford, Essex.

A Problem in Bankruptcy and Liquidation

Sir,—The problem presented by Mr. Eaves in your September issue (page 475), whilst unusual, could indeed present itself, and is worthy of serious consideration.

Broadly, it springs from the action of an unreasonable creditor who insists on pursuing a claim against a bankrupt estate when he might, with much less trouble and expense, proceed more reasonably against one or more solvent guarantors. In principle, the normal remedy against any unreasonable person is to seek the protection of the court and if matters were forced to extremes this would appear to be the remedy of the trustee in the example provided by Mr. Eaves.

I think that in practice if a trustee were faced with such a problem, the best approach would in the first instance be to try polite persuasion on the co-guarantors to contribute their share of liability to a fund ultimately to be appropriated to the creditor. The creditor would still have his claim against the estate of the bankrupt. He would, of course, be entitled to prove in the bankruptcy for the full amount of the debt which the bankrupt had jointly and severally guaranteed. He need not give credit for amounts recovered from co-guarantors between the dates of the receiving order and proof of debt but he is not allowed to recover more than 20s. in the £ in all (see *re Houlder*, 1929, 1 Ch. 205).

The trustee would therefore restrict the creditors' dividend to a sum not exceeding 5s. in the £ in the example under discussion.

Alternatively, if one of the solvent co-guarantors paid the creditor in full, that guarantor could prove in the bankrupt estate for the full amount of the debt but would not be entitled to receive more in dividend than the proportion which the bankrupt co-guarantor would have been liable to pay (see *re Parker*, 1894, 3 Ch., 400).

If any of the parties concerned refused to agree to the solution above suggested, the trustee's remedy would appear to be to apply to the court for directions.

Yours faithfully,

D. MAHONY, F.C.A.

London, E.C.2.

Where Do the Honourmen Go?

Sir,—I was interested to read in "Accountant at Large" (ACCOUNTANCY, May, 1958, pages 232-3) the review of two books, *Parkinson's Law* and *The Organisation Man*. "Accountant at Large" asked whether the best brains were going into organisations, and I wondered whether the outstanding men in the accountancy examinations in the United Kingdom were doing so.

I remembered that in 1938, when I was a junior, the legend went something to this effect: "If you get honours in your Final you are pretty sure to get a partnership." Maybe it was not far from true at that time.

I have gone through the lists of Final honourmen of the Institute and of the Society in the ten examinations from November, 1951, to May, 1956, and traced the descriptions against their names in the last published Lists of Members (Institute 1958 and Society 1957).

The Institute awarded fifty-four Certificates of Merit in the five years, and the Society forty-five. Of those in the Institute lists, fifteen are now in practice and eleven employed by professional firms. The Society had six in practice and twenty-two employed by professional firms. Thus fifty-four out of ninety-nine have remained in the profession.

Maybe the honourmen are still encouraged to stay in the profession by being offered prospects of partnerships and/or salaries similar to those they could get in industry. I don't know whether this is so, not being an honourman myself, but I hope it is, for I feel that the best brains belong in the profession.

Yours faithfully,

JOHN W. WEBB, A.C.A.

Lagos, Nigeria.

ACCOUNTANCY— CONCESSIONARY RATE

Articled clerks of the Institute of Chartered Accountants in England and Wales may receive ACCOUNTANCY for 15s. a year, postage included, instead of the normal subscription of twice that amount. Articled clerks and other students of the Society are also entitled to subscribe at the concessionary rate.

Those eligible are invited to subscribe for one year as from any issue. A form of application may be obtained from the offices of the Institute.

Readers' Points and Queries

Foreign Earnings

Reader's Query.—The views of readers would be appreciated on the practice of the Revenue in determining the residential status of persons who go abroad for the purpose of employment, and in the ascertainment of their liability to United Kingdom tax.

It was my opinion that to establish non-residence a complete fiscal year must be spent abroad, and further that a person would be regarded as resident for any tax year in which six months or more were spent in the U.K. However, in a number of cases which have come to my notice, freedom from U.K. tax has been granted for the whole period of absence from this country, the "six months' rule" being disregarded, and no enquiry has been made about remittances to the U.K.

The relating of remittances to the emoluments from which they have been paid would seem to present difficulties, and I should be pleased to hear of the experiences of practitioners in this connection.

Reply.—The new rules of Schedule E rather alter the importance of residence in connection with a person taking up employment abroad, since, if the duties have to be performed wholly outside the United Kingdom, the assessment will be under Case III. It appears to make a difference where a person goes abroad on a contract requiring his residence abroad for not less than three years. An army officer going abroad on a normal tour of foreign service, for example, is regarded as neither resident nor ordinarily resident for the years of absence unless he comes to this country for more than six months in the year or for an average period of three months. It is quite common for the Revenue to wait until a complete year of assessment has elapsed before recognising residence abroad, but it is then recognised from the date of departure. This arises from the provisions of Section 368 of the Income Tax Act, 1952, because the Revenue must be assured that the residence abroad is not occasional but has a degree of permanence. Where it seems likely from the start that residence is to be abroad, any untaxed income within

Section 195 or arising abroad and assessable under Case IV or V of Schedule D may be restricted provisionally to that for the period from April 6 in the year of departure to the date of departure.

Relief for Losses

Reader's Query.—A company has had these trading results: year to July 31, 1956, profit £60,000; 1957, profit £30,000; 1958, loss £60,000. The trade in which it is engaged is such that the directors believe that no profits can be made during the next few years, and it is desired to obtain as much taxation benefit as possible now.

For this reason it is proposed that the accepted relationship that the fiscal year and the trading year be regarded as coterminous be ignored and that the company should claim relief on actual losses during the fiscal years. Thus:

1957-58 Case I profit as above	£60,000
Section 341 actual loss. Relief claimed $\frac{2}{3} \times £60,000$ — $\frac{1}{3} \times £30,000$	£30,000
Assessment stands on	£30,000
1958/59 Case I profit as above	£30,000
Section 341 actual loss. Relief claimed $\frac{1}{3} \times £60,000$; $\frac{2}{3} \times 1959$ results (assumed to be nil)	£20,000
Assessment stands upon	£10,000

It can be seen that because the profit of £30,000 for 1957 is used twice, the relief for the loss of £60,000 is less than it would have been if the company expected future profits and used the coterminous method.

I have consulted a number of books, but only one refers to the reduced benefit of using "actual" losses, and this goes on to say that "this reduction in benefit may be more apparent than real." The loss seems very real to me, and I shall be obliged if you will draw my attention to any error in the methods used above or, alternatively, offer some suggestion for obtaining relief as early as possible on the whole of the £60,000 loss.

There is one further point. If a profit of, say, £9,000 were made in the year to July 31, 1959, this would presumably result in the 1958/59 assessment being greater than above—thus:

1958/59 Profit as above ..	£30,000
Section 341 relief $\frac{1}{3} \times £60,000$; $\frac{2}{3} \times £9,000$..	£14,000
Assessment stands upon ..	£16,000

For 1959/60 the assessment would doubtless be nil (year to July 31, 1958) and for 1960/61 the assessment would be on £9,000. Once again we have utilised a profit on two occasions, and again, it seems, to the detriment of the company, because had we used the "coterminous" method (and made future profits) we should have received relief on precisely £60,000.

A final point, an accountancy one, which depends upon the above being correct. When preparing accounts to July 31, 1958, we can obviously bring in a credit for tax on £30,000 in respect of relief for 1957/58. Would it be wrong to bring in a credit for one-third of the tax on the £20,000 relief claimed for 1958/59? The difficulty is that if the pessimists are wrong and a profit is indeed made, we shall not in fact receive £20,000 relief in 1958/59.

Reply.—The calculations appear to be correct. Section 341 allows a claim in respect of a loss sustained in the year of assessment, and if the trading year is not regarded as coterminous, the loss can be arrived at only by apportionment, as has been done here. The Section provides that where repayment has been made to a person for any year under it, the claimant is not entitled, in computing the amount of any subsequent assessment, to a deduction of any portion of the amount in respect of which such repayment has been obtained. In this case, on the assumption of no profit or loss in the year to July 31, 1959, only £50,000 has been relieved. The £10,000 unrelieved, however, is valueless because Section 342 allows the carry-forward of loss only if relief has not been given under any provision of the Act and it was held in *C.I.R. v. Scott Adamson* (1933, 17 T.C. 679) that a loss used in an apportionment to offset a profit has been relieved. In the second example £16,000 is unrelieved.

Regarding the accountancy point, it is thought that the amount set aside for future tax ought to be the amount that, on all the facts known at the time, is expected to be payable. It could hardly be wrong to bring in the credit, but, as it is contingent, prudence would appear to suggest that it be not anticipated.

Publications

Records and Accounts for Farm Management. By A. G. Jeffrey. Ministry of Agriculture and Fisheries Bulletin No. 176. Pp. iii+75. (H.M. Stationery Office: 4s. 6d. net.)

GOVERNMENT CONCERN FOR better farming through greater use of accounts and figures is evident from the trend in publications by the Ministry of Agriculture and Fisheries. Its handbook of standards and statistics, *The Farm as a Business*, was originally confined to the official Advisory Service. Later the shyness passed and a new edition was put on sale to the public. The underlying presumption remained, however, that the analysis of farm accounts and the assessment of results against standards of performance would be undertaken by an Advisory Officer. Now the latest bulletin, *Records and Accounts for Farm Management*, written for the Ministry by Mr. A. G. Jeffrey of Leeds University, shows farmers how to do it themselves.

Most farmers in the United Kingdom produce annual accounts of some kind for income tax. Why not, gently persuades Mr. Jeffrey, supplement the £ s. d. with quantity figures for crops, feeding, livestock, labour and land use and adapt the accounts for an annual review of efficiency? The efficiency tests are comparisons of farm achievements with the performances of similarly situated farms, obtainable from the District Advisory Officer, and with the more general standards for labour and machinery.

Thus the farmer is urged to become his own diagnostician by borrowing the agricultural economist's instruments. But yields per acre, per cow or per £100 costs are incidental only to the individual farmer who simply wants the highest total income from the effort and resources he is prepared to commit. Further, is not pre-determination better than diagnosis afterwards?

Budgeting, for instance, an acceptable profit on a food to pigmeat conversion ratio of 4 to 1 and controlling the ration accordingly is more immediately effective in checking uneconomic feeding than any analysis of the feeding stuffs account. Closer control, that is, comes from applying standards of performance at budgeting time instead of to results. Mr. Jeffrey does devote a chapter to

budgeting, but it is almost indecently short!

Appropriate accounts are still needed for checking budgeted expectations against results; and accounts kept on the methods advocated by Mr. Jeffrey are as suitable for this purpose as they are for *ex post* analysis against economic performance measures—which cannot be said of orthodox records leading to the orthodox form of profit and loss account. What Mr. Jeffrey so well emphasises is that appropriate accounts can be such a source of information to the farmer.

The bulletin advises the farmer to seek his accountant's help in adapting farm accounts to management ends. To that injunction it may be added that accountants should read the bulletin to brief themselves on farm management needs and to increase their understanding of the agricultural economists' efforts to raise farming efficiency.

A.P.-W.

Money at Work—a Survey of Investment. Edited by Milton Grundy, M.A. Pp. ix+244. (Sweet & Maxwell Ltd.: 17s. 6d. net.)

IN THIS BOOK, in company with experts one goes over almost every possible method of tucking money away or of turning it into a consumer durable (even the "old oak chest" has to be acquired—and the chapter on furniture shows how to go about acquiring one).

The earlier chapters survey in orthodox fashion the usual investment territory: stocks, life policies, mortgages and so on, and they survey it as well as can be done in any book for those who are excursionists rather than professional travellers. So, too, the opening chapter on taxation.

The later chapters are apparently intended to be as much an investment guide as the earlier ones, but they are really for potential collectors rather than investors. They tell the reader as much as he is ever likely to want to know about auctions, pictures, furniture, silver, jewellery, glass, Chinese art, coins, wines, books and stamps. The authors are deeply knowledgeable about their collectors' pieces and pass on the gist of their knowledge lightly and pleasantly. But, while readers may absorb something of the authors' enthusiasm for acquisition and some little part of their appreciation of good things, it is a misnomer to talk of "money at work" and out of keeping to label the book as one on investment. Pictures, silver, wine and the rest should be bought for their own sake, and he

who buys them as an alternative to equities or building society deposits is surely on the wrong track. The remark of one of the authors that, if you decide to give everything up in order to keep chickens, you will in fact just keep chickens and they are very unlikely to keep you, applies to other objects of the collector.

L.T.L.

Books Received

The City's Invisible Earnings. By William M. Clarke. Pp. 110. (*The Institute of Economic Affairs*: 5s. net.)

(Noted in a Professional Note on page 497.)

The Cost of Typing. Twenty case studies of typing costs and output, conducted by the Office Administration Department of Production-Engineering Limited. Pp. 40. (I.B.M. United Kingdom Limited, 101 Wigmore Street, London, W.1: gratis.)

(Noted in a Professional Note on page 500.)

Who Owns Whom. A Dictionary of the Subsidiaries and Associates of Public Companies in Industry and Commerce. Pp. ii, 207. (O. W. Roskill and Co. (Reports) Ltd., 14 Great College Street, Westminster, London, S.W.1: £4 4s. net.)

(Noted in a Professional Note on page 499.)

Bid for Power. By George Bull and Anthony Vice. Pp. 238. (Elek Books Ltd., 14 Great James Street, London, W.C.1: 25s. net.)

(Noted in a Professional Note on page 499.)

"Taxation" Key to Income Tax and Surtax—Finance Act edition, 1958. Edited by Percy F. Hughes. Pp. 224. (Taxation Publishing Co. Ltd., 98 Park Street, London, W.1: 10s. net; 10s. 6d. post free.)

"Taxation" Key to Profits Tax. Fifth edition by Percy F. Hughes. Pp. 313. (Taxation Publishing Company Ltd.: 12s. net.)

Ownership and Control of Australian Companies: A Study of 102 of the Largest Public Companies Incorporated in Australia. By E. L. Wheelwright, D.F.C., M.A. Pp. 206. (The Law Book Co. of Australasia Pty. Ltd. Great Britain: Sweet & Maxwell Ltd.: 42s.)

Esto Perpetua. The Norwich Union Life Insurance Society. An account of one hundred and fifty years of progress and development in the service of the community. By Robert Blake. Pp. 117. (Newman Neame Limited.)

Lancashire County Council. Abstract of Accounts for the year ended March 31, 1958. Pp. 372. (County Treasurer's Office, County Hall, Preston.)

Legal Notes

Contract and Tort—

Liability of Highway Authorities

Baxter v. Stockton-on-Tees Corporation [1958] 3 W.L.R. 275 is an important decision on the liability of highway authorities for accidents caused by the dangerous state of the highway. A motor-cyclist riding along the highway at night was killed when his machine struck the kerb of an approach island near a roundabout. The highway had been constructed by the Durham County Council about 1939 under the Development and Road Improvements Funds Act, 1909, and had been taken over in 1941 by the Stockton-on-Tees Corporation, complete with roundabouts, islands, lights and traffic signs; it had not been altered since that date. The widow claimed against the Corporation on the ground that the shape of the island was dangerous and that the Corporation had failed to give adequate warning by lights or traffic signs. The widow succeeded before the court of first instance but lost before the Court of Appeal.

The first point taken by the Corporation was that in making the road the County Council was in the same position as a private owner who dedicates land as a public highway, and it is well established that when a private owner dedicates land the public must accept it as they find it, subject to all hazards and inconveniences existing at the time of dedication. The Court did not accept this argument and said that a highway authority constructing a road for the use of the public under statutory powers is under a positive duty to take reasonable care to construct it properly.

But, the Court went on, it did not follow from this that the exemption in liability in damages for mere non-feasance (that is, omission to act) did not extend to the highway authority for the time being responsible for its maintenance. This exemption was established at least as long ago as 1788 on the principle that, as the road ought to be maintained by the public, no individual can maintain an action against them for any injury arising from their neglect. This exemption, in the Court's judgment, applied to all highway authorities made responsible by statute for the maintenance of roads as successors to

the surveyors of highways unless it was excluded by the terms of some special enactment—which was not the case here. Therefore, whether or not the County Council which had constructed the road would have been liable if it had still been responsible for the maintenance of the road, the fault of the Corporation, if there was any fault, was non-feasance and the action against it must fail.

Contract and Tort—

Liability of Bank for Advice Given to Customer

Woods v. Martins Bank Ltd. [1958] 3 W.L.R. 1018 is a very interesting case on the liability of a bank for negligent advice on investment given to a customer by a branch manager. W., a young man, had inherited some £17,000. In the words of the judge, "he was the very prototype of the lamb waiting to be shorn and he did not have long to wait." On the advice of a bank manager he invested about £15,000 in a small company, B.R. Ltd., and he lost it all.

Salmon, J., held that the advice given was negligent. The manager was not negligent merely because the advice turned out to be wrong, nor would he have been negligent because he failed to exercise some extraordinary care and skill; his obligation was to advise with the ordinary care and skill which the ordinary bank manager in his position might reasonably be expected to possess. Here, the account of B.R. Ltd. was kept at the same branch and at all material times the company had a large overdraft which the bank head office was anxious to reduce. In these circumstances a careful manager would not have advised that the company was sound, and ought not to have advised a customer to invest in it, certainly not without making a full disclosure of the conflict of interests involved.

The bank took the point that, even if the manager was negligent, he was acting outside the scope of his authority and therefore the bank could not be liable. As to that, his Lordship held that the limits of a banker's business could not be laid down as a matter of law; the nature of such a business was a question

of fact in each case. The booklets issued by this bank to customers showed that it was within the scope of the bank's business to advise on all financial matters, and the ostensible authority of bank managers could not be cut down by secret instructions issued to them by the bank. His Lordship accordingly gave judgment for W. against both the bank and the manager.

Insolvency

Costs of Uncompleted Execution

By Section 41 (1) of the Bankruptcy Act, 1914, "where any goods of a debtor are taken in execution, and before the sale thereof, or the completion of the execution by the receipt or recovery of the full amount of the levy, notice is served on the sheriff that a receiving order has been made against the debtor, the sheriff shall, on request, deliver the goods . . . to the official receiver but the costs of the execution shall be a first charge on the goods."

The meaning of this sub-Section had to be considered in **Re Cooper** [1958] 3 W.L.R. 468. On July 4, 1957, the sheriff's officer went to C.'s farm to effect an execution in pursuance of warrants obtained by judgment creditors. C. was not in but the officer found two tractors and handed to one of C.'s employees a notice stating that execution had been levied on the two tractors, although the tractors had not been removed; he also handed to the employee two forms inviting C. to agree to a walking execution. On July 10 C. presented his own petition in bankruptcy, and a receiving order and adjudication were made on the same day. On the next day, July 11, no notice of the proceedings having reached the sheriff, the officers went back to the farm and carried away the tractors on two transporters. On July 12 the Official Receivers asked for the return of the tractors and the sheriff returned them as he was bound to do. The sheriff, however, claimed that under Section 41 (1) his costs, which amounted to some £70, were a first charge on the tractors.

Danckwerts, J., held that the sheriff's claim was correct for two reasons. First, on the facts there was a taking in execution on July 4, before the bankruptcy proceedings were started, and therefore the sheriff could plainly bring himself within Section 41 (1); second, even if there was no taking in execution until July 11, the sub-Section was intended to protect sheriffs who levied execution in ignorance that a receiving order had been made.

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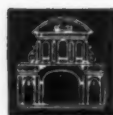
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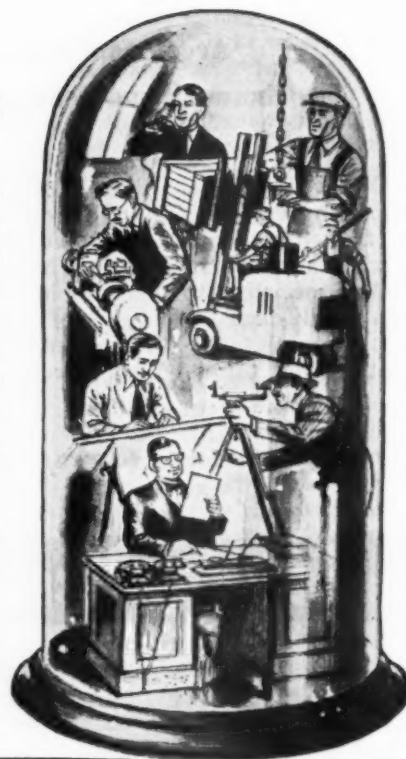
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The Student's Columns

INCOME TAX ANSWERS

THE FOLLOWING ANSWERS are numbered in the same order as the questions set in ACCOUNTANCY for September (page 480).

(1) Assessments under Schedule A relate to income arising or deemed to arise from the property in all land and buildings in the United Kingdom with a few exceptions such as quarries, mines, iron-works, etc. The basis of assessment is the net annual value of the property, which is ascertained by deducting from the gross annual value the statutory allowance for repairs.

(2) The scale of statutory allowances for repairs under Schedule A is:

- (i) In respect of land including farm buildings let with the land—one-eighth of the gross annual value.
- (ii) In respect of buildings:
 - (a) where the gross annual value does not exceed £40—one-fourth;
 - (b) where the gross annual value is between £40 and £50—£10;
 - (c) where the gross annual value is between £50 and £100—one-fifth;
 - (d) where the gross annual value is over £100—£20+one-sixth of the excess over £100.

(3) The following types of income are assessable on a person resident in the United Kingdom under each of the cases of Schedule D:

Case I: Tax in respect of any trade carried on in the United Kingdom or elsewhere.

Case II: Tax in respect of any profession or vocation not contained in any other schedule.

Case III: Tax in respect of any interest of money, whether yearly or otherwise, or any annuity or other annual payment, whether such payment is payable within or out of the United Kingdom either as a charge on any property of the person paying the same by virtue of any deed or will or otherwise or whether the same is received and payable half yearly or at any shorter or more distant periods and all discounts and profits on securities bearing interest payable out of the public revenue other than such as is charged under Schedule C.

Case IV: Tax in respect of income arising from securities out of the United Kingdom.

Case V: Tax in respect of income arising from possessions out of the United Kingdom.

Case VI: Tax in respect of any annual profits or gains not falling under any of the other cases of Schedule D and not charged by virtue of any other Schedule; also certain income put into Case VI by express provisions, for example excess rents.

(4) Computation of tax payable 1958/59:

	£	£	£	Memo (wife)
				£ £
Earned income, Jack ..	900			
Less National Insurance contributions ..	13			
		887		
Earned income, Jill ..	500			
Less Expenses ..	50			
National Insurance contributions ..	11			
		61		
			439	439
Investment income from trust			500	
			1,826	
Less Reliefs:				
Earned income (2/9ths of £900+£450) ..	300			100
Personal relief ..	240			
Additional personal relief ..	140			140
			680	240
			1,146	199
Reduced rate: £120 at 2/3 ..			£ s. d.	
£289 at 4/9 ..			13 10 0	
£150 at 6/9 ..			68 12 9	
£587 at 8/6 ..			50 12 6	
			249 9 6	
			382 4 9	
Less Deducted at source £500 at 8/6 ..			212 10 0	
Tax payable			169 14 9	

(5) Tax reserve certificates are certificates issued by the Treasury under the National Loans Act, 1939, in respect of sums deposited with them. The certificates may be purchased through a bank in multiples of £25 and, providing they are tendered in the payment of tax, carry interest at the rate ruling at the date of issue for each complete month from that date to the date on which the tax is deemed to be due, but not exceeding 24 months in all. (The interest must likewise be used towards paying the tax.) For the purposes of income tax, the date on which tax is deemed to be due is the date on which it would have been due for payment if the assessment had been raised at the proper time; for profits tax the date is six months after the end of the accounting period. The interest on tax reserve certificates is exempt from income tax, surtax and profits tax.

(6) Scientific research expenditure means expenditure incurred on scientific research, i.e. activities in the fields of natural and applied science for the extension of knowledge.

(7) Expenditure incurred after February 17, 1956, on the following will still rank for investment allowances:

- (i) Ships.
- (ii) Adding any insulation against loss of heat to any building, structure, machinery or plant in use in the United Kingdom.
- (iii) Providing by way of modification or replacement of plant in use in the United Kingdom plant of any description in the interests of fuel economy.
- (iv) Under any contract entered into on a date before February 18, 1956, which required sums to be paid on or after that date.
- (v) Scientific research.

(8) A subvention payment is any payment made by a company under an agreement providing for it to bear or share in losses or a particular loss of the payee company and is not a payment which would be taken into account in computing profits or gains or losses of either company or on which the payee company would be liable to bear tax by deduction or otherwise. The payment must be in respect of an accounting period of the payee company and must be made in or before the end of the two years of assessment following that in which the period ends. The paying company and payee company must be associated companies. That is, they must either be subsidiaries of a third company or one must be the subsidiary of the other.

(9) An Overseas Trade Corporation is a company resident in the United Kingdom which either (a) carries on a trade outside the United Kingdom or (b) is a company which does not carry on any trade either in the United Kingdom or outside but which is the principal company of a subsidiary company which is an overseas trade corporation and is carrying on a trade outside the United Kingdom. There are a number of disqualifications laid down in the Finance Act, 1957, which may amend the above general rule.

(10) The expression "director" for the purposes of profits tax includes not only a person so called, but also a person in accordance with whose directions or instructions the directors are accustomed to act, and a manager of the company who is remunerated out of the funds of the company and is the beneficial owner of not less than 20 per cent. of the ordinary share capital. The term "Ordinary share capital" has a particular meaning which is defined below.

(11) Ordinary share capital is defined for the purposes of profits tax as all share capital other than that the holders of which have a right to a dividend at a fixed rate or a rate fluctuating with the standard rate of income tax but to no other share in the profits of the company.

(12) The net United Kingdom rate of the company is the net rate of tax borne by it after taking into account the double taxation relief received. The rate is found by dividing the tax credit for income tax only by the total income and deducting the rate so found from the standard rate at the date the dividend is payable.

Notices

The Accountants' Christian Fellowship will hold a meeting for Bible reading and prayer on November 3 at 12.30 p.m. in the vestry at St. Mary Woolnoth Church, King William Street, London, E.C.4. The scripture will be Luke, Chapter 2, verses 29-32—Simeon's prayer, "Lord now lettest thou thy servant depart in peace . . ." On November 27 at 6 p.m. Mr. W. W. Dolton, director, Delta Metal Co. Ltd., will speak on "Is it possible to be a business man and a Christian?" This meeting will be held at Incorporated Accountants' Hall, Temple Place, Victoria Embankment, W.C.2.

The Board of Trade will be the subject of the Stamp Memorial Lecture, to be given by Sir Frank Lee, K.C.B., C.M.G., Permanent Secretary to the Board of Trade, at

the University of London Senate House (entrance from Russell Square or Malet Street), London, W.C.1, at 5.30 p.m. on November 11. The chairman will be Professor L. C. Robbins, C.B., B.Sc.(ECON.), M.A., F.C.A., Professor of Economics in the University of London. Admission is free and no tickets are required.

A one-day conference on **Improving Office Efficiency** will be held on October 28. The conference is organised by the Industrial Welfare Society, and will be held at its headquarters, Robert Hyde House, 48 Bryanston Square, London, W.1. The fee is £2 12s. 6d. for delegates from I.W.S. member organisations and £3 3s. for delegates from non-members.

A series of five lectures and discussions on **The Struggle against Inflation—A Comparison of Problems and Policies** will be held on Tuesdays, October 28 to November 25, at 6 p.m. to 7.30 p.m. at the Library of the Institute of Bankers, 10 Lombard Street, London, E.C.3. The lectures are organised by

the University of London Department of Extra-Mural Studies and the Institute of Bankers. The fee for the course is 12s. 6d.

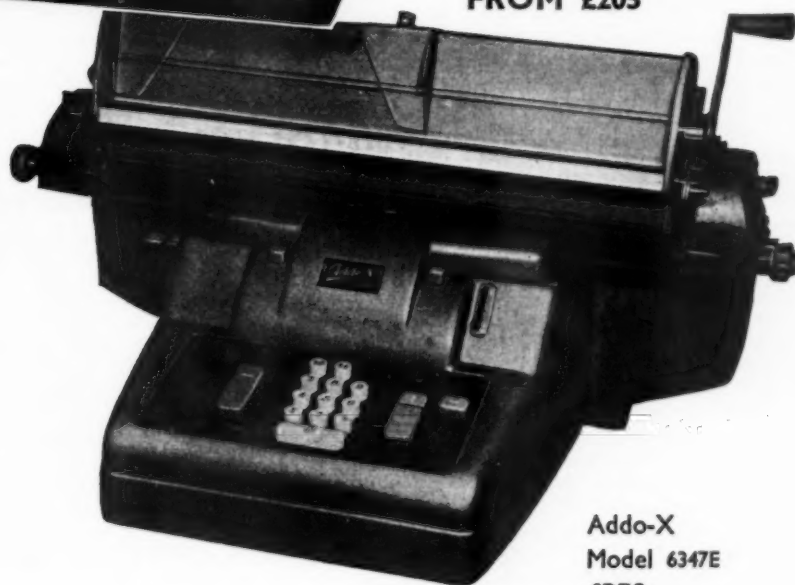
The **Management Seminar Programme** issued by the British Institute of Management covers the period October, 1958, to April, 1959. The seminars are intended for practising managers who need to learn as much as possible in one or two days. Among the many subjects covered are: *Management Ratios* (Birmingham, November 12; Newcastle upon Tyne, December 9; Glasgow, December 11; Manchester, January 28; Leeds, February 25; Bristol, March 25; Leicester, April 22); *Budgetary Control—An Essential Management Aid to Business Development* (London, January 20 and 21); and *Company Control through Planned Profits—A New Approach* (London, February 11 and 12). Numbers are limited to sixteen or twenty at each seminar. Further information is obtainable from the British Institute of Management, Management House, 80 Fetter Lane, London, E.C.4.

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The Institute of Chartered Accountants in England and Wales

Autumn Meeting

IN THREE CROWDED days, from October 2 to 4, there was covered at the Autumn Meeting of the Institute a programme packed with professional fare, in the shape of three stimulating addresses, with social occasions and with a miscellany of excursions, all arranged over months of meticulous planning by the hosts, the London and District Society of Chartered Accountants.

This Twenty-third Autumn Meeting of the Institute began with a service in St. Paul's Cathedral. The lesson was read by the President of the Institute, Mr. W. L. Barrows, LL.D., J.P., and the sermon, on the text "That ye would walk worthy of God, who hath called you unto His kingdom and glory," taken from the lesson, was delivered by the Rt. Rev. and Rt. Hon. J. W. C. Wand, P.C., K.C.V.O., D.D., Canon Residentiary and Treasurer and sometime Bishop of London. How near to earth, he asked, was Heaven and where was it to be found? In their homes, their work, in the personalities of their friends and inside the four walls of the church. Heaven was a state, not a place; the power that kept order in this vast universe must have the capacity of a supreme mathematician. In trying to establish organisation in our environment, they were not only imitating Him but realising how close they were to His abode. Their own motto *Recte Numerare* proclaimed that that was their ideal.

An address of welcome at the opening meeting at the Royal Festival Hall was delivered by the Lord Mayor of London, Alderman Sir Denis Truscott. In the city of which he was Lord Mayor, accountants were perhaps thicker on the ground than anywhere else in the country. Members of the profession were now heavily engaged in industry and commerce. It might be a testimony to the desire of the Institute to encourage industrial accountants to take an even greater part in its doings, that one of them, Mr. C. W. Aston, was Chairman of the London and District Society which was organising the conference. In terms of years of corporate life, the Institute, founded in 1880, might be young by comparison with, say, most of the City Livery

Companies. But in less than a century it had firmly established itself on a sound basis, a tradition, a code of conduct, and on methods of training and working which were the equal of many of the older professions.

Then the President gave his opening address, packed with thought-provoking passages. Its full text appears on earlier pages of this issue.

At the three business sessions at the Royal Festival Hall, the papers, already distributed in booklet form to the participating members, were introduced and summarised by the authors and followed by discussion in the form of questions and answers. Two of the papers are given in full elsewhere in this issue of ACCOUNTANCY and the third will, we hope, be reproduced next month. The discussion is reported below.

The highlights of the social occasions were a reception and dance at the Royal Festival Hall on the first evening and the visit to *My Fair Lady* at the Theatre Royal, Drury Lane, on the second. The guests, members and ladies were received at the Festival Hall by the President, Mr. W. L. Barrows, and Mrs. Barrows; by the Vice-President, Mr. C. U. Peat, and Mrs. Peat; by the Chairman of the London and District Society, Mr. C. W. Aston, and Mrs. Aston; and by the Vice-Chairman of the District Society, Mr. J. D. Russell, and Mrs. Russell. In that glittering setting of lamps shining out from the Hall into the Thames, it was a brilliant occasion. The guests were distinguished—among them Viscount Simon, Lord Dovercourt, Lord Cohen, Lord Latham, Lord Milne, Mr. Ernest Marples, M.P., A.C.A. (Postmaster-General), Mr. F. J. Erroll, M.P., the Lord Mayor of London, senior Government officials, civic dignitaries and members of the professions; the champagne was dry and the wine cup well-laced; there was that certain *ambiance*, always so uncertain of attainment at these functions, but so essential an ingredient.

Then, the excursions, some of them by boat along the Thames. To institutions of inner London representing its power and its industry—the Houses of Parliament, the Port of London—to those of further London and the outer belt standing in comparable stead—Greenwich, Hampton Court, Windsor and Eton, and London Airport; cars moving along and off the assembly line at Fords; thin layers of liquid emerging as rolls of solid paper, at Bowaters; other liquid going into bottles to give perfume at Yardleys. Tours of the City churches, of the City itself and of the West End; a bird's eye tour of all London; a visit to Cambridge; the B.B.C. centre and studios. For the ladies, a dress show at the Dorchester and *Not in the Book* at the Criterion Theatre. Luncheons and cocktail parties—arranged and impromptu.

Golf competitions were held at Sunningdale. The scratch prize for members, a George II loving cup presented by the President of the Institute, was won by Mr. R. E. Holt. Mr. C. H. Austin won the first handicap on the last nine holes; Mr. G. L. Wiener won the second handicap; Mr. J. B. Selier won on the first nine holes and Mr. D. V. House on the second nine holes. Mr. P. C. A. Smalley won on the hidden holes. The first prize for ladies went to Mrs. M. L. Holmes-Walker; the scratch prize on the last nine holes, after a tie, to Mrs. R. Kettle; the second prize to Mrs. H. A. Astbury; and the prize for the first nine holes to Mrs. A. M. Nicholson.

Two presentations must be put on the record. One, a formal presentation at the closing business session at the Festival Hall, when Mr. Aston handed to the President a handsome gavel and block carved out of wood salvaged from the seventeenth-century St. Swithin's Church of London City, "blitzed" during the war. The gavel and block will be kept in the Institute building to be used at future Autumn Meetings. The other presentation, an unscripted one, when sixteen chartered accountants of the *Avery* group of companies presented to the chairman and his wife, who are the President of the Institute and Mrs. Barrows, a silver rose bowl.

The Future Role of the Accountant in Practice

The President, introducing **Mr. Henry Benson**, C.B.E., F.C.A., said that he and his firm were very closely bound up with the Institute. Born in South Africa in 1909, he came to England in 1926, to Cooper Bros. and Co. He was a grandson of Francis Cooper, one of the brothers by whom the firm was started, and in 1934 he became a partner. He was Deputy Governor of the Hudson Bay Company. He became a member of the Council in 1956 and took a very active part in the work of the Parliamentary and Law Committee and the Finance Committee.

Mr. Benson then gave a summary of his paper, reproduced in full earlier in this issue of ACCOUNTANCY.

Mr. P. Livingstone Armstrong, F.C.A., (London) asked Mr. Benson to give his own views on education in the profession, to which he made reference in paragraphs 56 and 57 of his paper.

Mr. C. H. W. Sansom, F.C.A., (Middlesbrough) said that many chartered accountants in small firms in the provinces were magistrates, school governors, or even sat on Royal Commissions, but they were not allowed to use their qualifications in those connections. The Council should seriously consider whether members should be allowed to use their qualification in most capacities, so long as it is not a form of advertising.

On paragraph 56 of the paper, if, as might happen in future, fee-paying schools were abolished and grammar schools were converted into comprehensive schools, with the result that the standard of the General Certificate of Education was lowered, would Mr. Benson advocate that the Institute should insist on all candidates sitting the Preliminary examination and/or, if the standard remained the same, would he advocate a reduction in the term of articles when a candidate passed G.C.E. at advanced level in not less than two subjects? The idea had a parallel in the medical profession, where a candidate who had passed in three subjects at advanced level was exempt from the first-year medical course.

Mr. E. D. McMillan, A.C.A., (London) entirely agreed with Mr. Benson's attitude to investigation work and said, "It is important that we should help our clients as much as possible by expressing a firm opinion where we can and should not restrict our report to past events."

He asked Mr. Benson's views on forming an opinion about the success of a new venture or the quality of personnel, a

question going beyond the province of an accountant as such. "I appreciate that our clients like us to express opinions on these matters, but possibly we should do so in as informal a manner as we can and make clear that we are expressing views as individuals on matters which are not restricted to accountancy," he said. "It would be difficult in any event for a partnership firm to express views on such matters, as the views of individual partners might well differ. Moreover, it might be dangerous from the point of view of the firm since its reputation as auditors and in other directions might suffer if it expressed opinions which were subsequently proved wrong, as they well might be."

Is there here a field in which we can serve our clients most satisfactorily by giving informal opinions and, if we are partners, by giving them as individuals rather than on behalf of our firms?"

Mr. R. W. Brazier, A.C.A., (London) commented that Mr. Benson referred to statements on auditing procedure issued by the American Institute. Those statements had resulted in the standardisation of certain auditing procedures in the United States. "Are you of the opinion that the standardisation of auditing procedures in this country would be beneficial to the profession," he asked, "or do you consider that it would destroy the initiative of the individual auditor in his approach?"

As a receiver of auditors' services, **Mr. A. P. Ravenhill**, F.C.A., (London) thought the approach of Mr. Benson in paragraph 17 was probably most appropriate and would be welcomed by a large part of the industrial and commercial community, but it brought difficulties to the profession. For whoever was in charge of the audit to be in a position to find out all about the business involved a tremendous task. He did not suggest that was impossible, but it meant that the man concerned must be able quickly to appreciate all the considerations involved. "We would welcome a forthright view of what he believed wrong with the organisation, or what could be done to improve it." Those who could do this job most effectively were those who had a few years' experience in industry before entering the profession. If as soon as he qualified a man spent two or three years on secondment in a business, he would be able to appreciate the real problems.

Mr. C. Bostock, M.A., F.C.A., (London) said, "In paragraph 54 of his paper, Mr. Benson has drawn attention to the rather

surprising fact that in a profession of the size of ours we still have basically one tier. Speaking on behalf of a smallish firm in London, I feel that anything we can do as a profession to try to build up the tradition under which we do not hesitate to seek advice from other people in the profession who have been able to develop those specialist skills which Mr. Benson says are so necessary, would be most valuable."

In a small way we have been thinking about this problem in recent months. There is no doubt an understandable and natural reluctance on the part of the ordinary practitioner to hand his clients over, even temporarily, to the mercies of the specialist firm.

From his experience can Mr. Benson suggest any ways in which the profession might gradually move into a two-tier system comparable with the legal and medical professions?"

An **articled clerk** from Cairo who had recently qualified welcomed the practice of inviting articled clerks to business sessions, from which they greatly benefited. He asked Mr. Benson if he proposed any post-graduate scheme of education for members of the profession who had just qualified and whether articled clerks should spend their time in offices or in industry and commerce.

Mr. Warlow, T.D., F.C.A., (London) asked if it was possible or feasible to devise some form of interview, perhaps of a Civil Service Commission character, to discover whether a person was suitable to enter the profession. No doubt the American auditing standards and procedures were first-class, but would the lecturer agree that here the rules were made for the obedience of fools and the guidance of wise men?

Mr. D. H. Tonkinson, F.C.A., (Worthing) asked whether Mr. Benson had any facts in mind which led him to make the prophecy that payment for goodwill for professional practices would cease in future?

Mr. W. Roger Carter, M.A., F.C.A., (Manchester) was in enthusiastic agreement with every word of paragraphs 12 and 13, under the heading "Stock-in-Trade and Work-in-Progress." But what was the position when there was no stocktaking?

Mr. Benson's Reply

Mr. Benson, replying to the discussion, pointed out that on the subject of education he had really begged the question. In paragraph 56 he put a number of questions and refrained from attempting an answer. "I do not think I am competent or capable of answering them now," he confessed. "All I say is that they are questions which have to be answered. I think the President really gave most of the answers this morning when he spoke of the Committee set up under Mr. Parker to go into the problem."

Turning to Mr. Sansom's main question, he said, "If the G.C.E. standard were to drop materially I think it would be necessary to reassess our own standards of entry to the



A view of the platform at the Royal Festival Hall



The Lord Mayor of London with the Chairman of the London District Society, Mr. C. W. Aston, at the Reception.



The President, Mr. W. L. Barrows, reading the inscription on the block presented, with gavel, by the London District Society to the Institute.



Mr. W. W. Fea



Sir William Carrington replying to questions on his paper. On his left are the President and Mr. C. W. Aston and on his right Sir Harold Barton



Mr H. A. Benson

profession. This could be done in many ways, but I doubt whether it would be practicable to require all intending entrants to the profession to sit for the Preliminary examination. A possible method would be to extend the scope, or alter the timing, of the Intermediate examination. As to the second part of the question, I would have no objection to a reduction in the term of articles if the candidate had achieved three subjects at advanced level. I would restrict the number of subjects chosen, and I would certainly make English one of them. Any such change could only be made, however, after reviewing the examination syllabus as a whole."

On the subject of investigations, he said, "I do not think a professional man can give an informal opinion or tender advice separately from his firm. In practice everything he says is treated as official and is identified with his firm. On the nature of investigation work, the accountant of the future must be ready to undertake investigations on the lines suggested and to give firm opinions which do in fact involve commercial considerations outside the realm of pure accountancy. He may sometimes prove to be wrong, but clients do not tend to think less of an accountant because sometimes he is wrong, provided they know that it is an honest and dispassionate opinion given after carefully assessing the facts. Certainly I do not think his reputation as an auditor would suffer. Clients who ask for advice on these matters know better than anyone else the difficulty of always being right. This is another point on which I feel deeply. I believe unwillingness to take a decision or express a view for fear of being wrong is one of the most stultifying aspects of professional life."

In reply to Mr. Brazier, Mr. Benson said, "I do not think that standardisation of auditing procedures would be beneficial or practicable. Each firm must work out its own procedures. I am satisfied beyond doubt, however, that the principles upon which an audit should be based should be clearly established and known throughout the profession. This at present is not the case. For example, the principle is clear that an auditor must verify the existence and valuation of stock. The procedure he adopts must depend on the nature of the business, the client's accountancy and administrative system and the auditor's judgment."

Mr. Ravenhill's contribution had amounted to asking where they were to find the quality of auditor required if the prophecies he had made proved anywhere near true. That was a fair question, which required a great deal of consideration, but it came back to the question of education. "I think the answer is that it can only be done by better training before and after qualification and a greater emphasis on specialisation." There should be a greater interchange than at present between industry and the profession and vice versa.

In answer to Mr. Bostock, Mr. Benson said, "I am not sure that in fact I believe in

a two-tier profession. I believe in the first alternative in my paragraph 53 because I think it is a better one. I believe that is the most practicable solution; it would benefit the profession and it would give better service to clients."

The article clerk had asked if he believed in a post-graduate scheme of education. His reply was, with reservations, "yes," but he had an open mind on whether it should take the form of post-graduate courses or by way of organising the profession in specialist branches. Months of study were needed to arrive at a solution. Whether a student should spend a longer time than six months in commerce before qualifying was one of the subjects which the Parker Committee would undoubtedly have to consider and advise upon.

In response to Mr. Warlow, Mr. Benson said that he did not think the interview would be practicable or desirable. "It is quite impossible to assess a man at an interview of half an hour, an hour or a day. We have to see him working under proper conditions and the only person who can really decide is his principal who has seen him working for him for a long period."

To Mr. Tonkinson's query about the facts on which he based the suggestion that payments for goodwill were likely to come to an end, Mr. Benson replied, "The only

fact which weighs with me is that incoming partners will not be able to pay for it. They cannot afford the burden and misery of paying for goodwill when they first become partners, when they probably have children to educate."

In every partnership agreement I believe there should be a requirement that every partner should take out the maximum self-employed pension. That would ensure that when partners are ready to retire they have enough on which to live. It would also enable them to leave the profession sufficiently early to give the younger members a chance."

The final question had somewhat surprised him. As he understood the question it was: "What is the auditor to do as regards observing stocktaking if there had been no stocktaking?" The answer was: to qualify his audit report. Mr. Benson added that the whole object of observing stocktaking was to check or test the internal check; that was their first duty as auditors. "Unless we observe the stocktaking it means that we have not investigated the internal check on one of the most important aspects of the business of the company. In my experience, in no single case where stocktaking has been observed has it not been found that there were weaknesses—very often grave ones—in the system of internal check."

The Future Role of the Accountant in Industry

Introducing Mr. W. W. Fea, B.A., A.C.A., the President said no one was more fitted to deal with the subject. Mr. Fea was born in 1907 and admitted a member of the Institute in 1931. He was now Chief Accountant and a director of Guest, Keen and Nettlefolds, one of the biggest industrial concerns in the world. He had been a member of the Taxation and Research Committee for many years, was Vice-Chairman of that Committee in 1950-1 and Chairman in 1951-2. He was elected a member of the Council as a representative of those employed in industry in 1953 and now served as a member of the Parliamentary and Law, Finance, Non-practising Members' Consultative, and Summer Course Committees.

In the course of his paper* Mr. Fea estimated that there were some 10,000 chartered accountants employed in industry and commerce in the United Kingdom and that their number had quadrupled in the last twenty-five years.

In addition to the accounting and secretarial positions for which their training especially fitted them, accountants were to

be found in every type of administrative and executive post from chairman and managing director down. This successful penetration into the management field could have arisen only from the accountant possessing certain qualities that industry values highly. It was suggested that these qualities were:

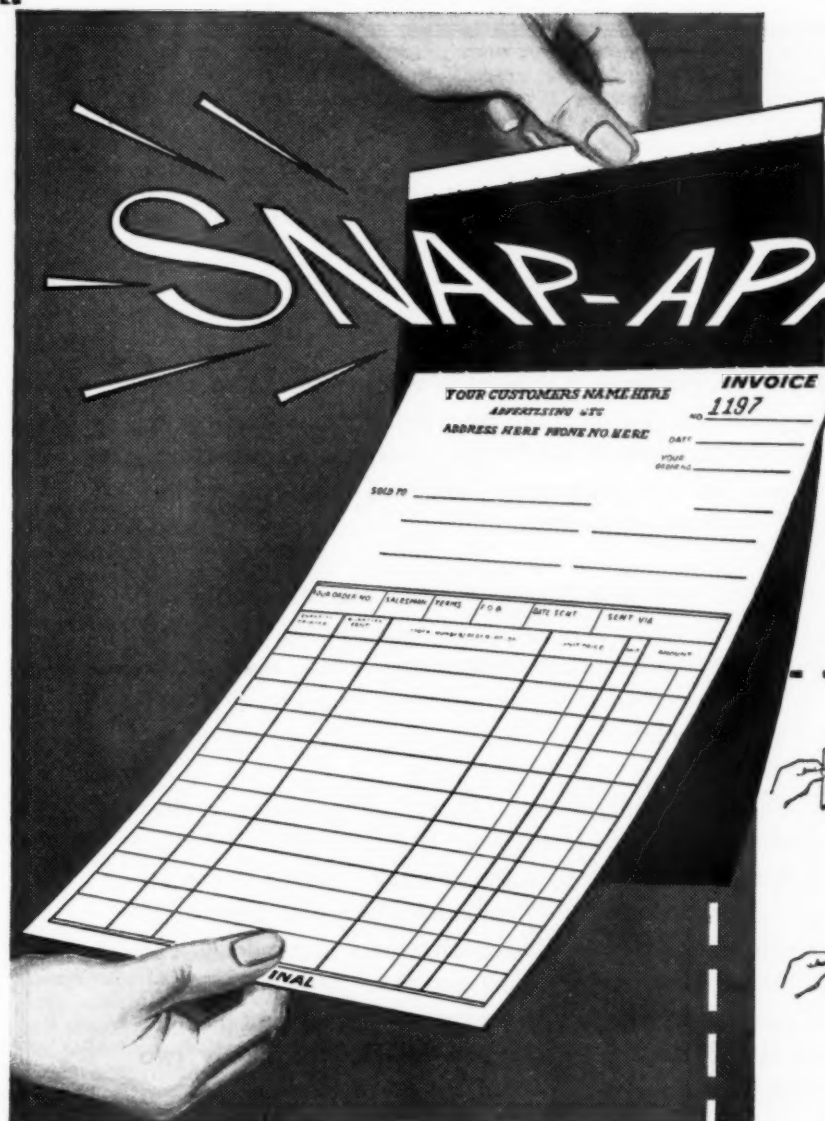
(1) Integrity finding expression through independence of thought, objectivity, impartiality, accuracy and reliability.

(2) Technical competence evidenced by an instinctive aptitude for figures ("the taste of the gourmet as well as the appetite and digestion of the gourmand"), analytical ability and a sound knowledge of accounting theory, principles and conventions.

(3) The ability to get on with people. This implies willingness to understand other people's point of view and to co-operate with them to find a practical solution to a problem. Moreover accounting was a form of communication between human beings whose object it was to convey information and ideas to the recipient. In the centenary year of the birth of H. W. Fowler the accountant should remember that the important things in the art of communication were clarity, brevity and vigour.

Turning to the future of industry itself,

* It is hoped to reproduce the paper in full in our next issue.—Editor, ACCOUNTANCY.



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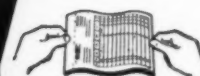
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the speaker quoted various authoritative suggestions that by 1970 Great Britain would have doubled its production of energy and increased national output by 60 per cent., with steel production at 30 to 33 millions tons per annum.

Apart from these rosy long-term prospects there were immediate problems for industry arising from the common market and free trade area movement, the activities of the Restrictive Practices Court and greater government interference in industry, possibly accompanied by further public ownership.

Against this background of change, accompanied by sweeping technological developments, the accountant must keep himself up to date in the new administrative techniques of operational research, work study and electronic data processing. But he must never forget his primary duty of providing an efficient accounting service to management as an essential aid in the formulation of policy, planning and day-by-day control.

It was suggested that research into management accounting techniques was a joint problem for accountants and managers and that such research might well be officially sponsored by national bodies representing management working with the Institute.

One particularly important subject for research was accounting for changing price levels. Still greater recognition of inflation as public enemy number one might well depend on the accountancy profession being able and willing to measure in published accounts the effect of changes in the value of the monetary unit. In any case internal management statements could be dangerously misleading if they failed to reflect such changes. A comprehensive but workable solution to the problem was urgently needed even if inflation had been slowed down.

Mr. Fea made some suggestions about training articled clerks who intended to go into industry. They represented probably one third of the total number of articled clerks and it was at least open to question whether the present system of training and the examination syllabus could not be made more appropriate to their ultimate future in industry. One line of approach might be to increase the period of articles from five years to six and from three years to four for graduates. It would be made obligatory for the additional year to be spent in industry, with a further six months by mutual agreement. There should be a new form of articles which would be transferred, for the duration of the industrial service, from the name of the principal in practice to the name of an industrial chartered accountant to whom the articled clerk would be bound. This would ensure proper supervision and recognise the importance of a continuing personal relationship between principal and articled clerk.

Such a step would require acceptance of responsibility for training future industrial accountants by those accountants already

established in industry, and this was in itself most desirable. In addition support for the scheme would have to be obtained from Boards of directors and management. This should not be difficult in view of the growing recognition in industry of the importance of training younger technicians of all types and even managers themselves.

If these proposals were adopted it would also be necessary to alter the examination syllabus for the new type articled clerk by reducing or eliminating questions on subjects relevant only to practising offices, such as executorship law and accounts, trust accounts, partnership accounts and the law in relation to liquidations, bankruptcies and receiverships. In their place there would be more questions on industrial practices, management accounting and business problems.

The speaker concluded by saying that the ultimate aim of recruitment and training policy must be "to ensure a flow of new entrants into the profession of sufficient quantity and adequate quality to meet the combined demands of industry and the practitioner's office. Only then will the accountant be assured of his rightful place in the van of industrial progress."

Discussion

Mr. S. Dixon, M.A., A.C.A., (Birmingham) found it difficult to accept the suggestion that there should be alternative articles for the clerk who sought employment in industry. He understood how difficult it was in industry and how necessary it was that the clerk should start at the bottom, as Mr. Fea had said. Yet during those five years of his training he must tend towards being a chartered—not an industrial—accountant, a chartered accountant, with the background ability to do everything that a chartered accountant might be called upon to do. How were they to know who were to go into industry and who were to go into practice? The Bible had something to say on this in the parable of the wheat and the tares (he confessed that he was one of the tares). The men wanted to separate the tares from the wheat straight away, but the farmer stopped them by saying:

Nay; lest while ye gather up the tares, ye root up also the wheat with them. Let both grow together until the harvest.

Recalling what happened to the tares, he did not propose to carry the application of that parable any further! (Laughter.)

This question impinged on Mr. Benson's paper, the whole background of which was that accountants in practice should have a wider and broader outlook. Mr. Benson wanted to narrow the gulf between the practising and the industrial accountant. "Can there be a more certain way of widening that gulf than by segregating them at the very outset and giving them a different trend?" Mr. Dixon asked. "Fortunately, I think I can reconcile the views of the industrial and the practising accountant and accomplish the almost incredible feat of integrating Mr. Fea and Mr. Benson. We find that Mr. Fea asks whether it is right

that the accountant who ultimately goes into industry should sign articles under which it is agreed that he should be given training which will enable him to acquire the art and knowledge of a chartered accountant in practice. I believe those words are as true as ever. Mr. Benson has told us why. There is no need to alter the words in the articles: what needs to be altered is our conception of what the art and knowledge of an accountant in practice ought to be."

Mr. C. M. Fox, O.B.E., T.D., M.A., A.C.A., (London) commented that Mr. Fea had given a brilliant exposition, supported by facts and figures, of the present and probable future roles of the accountant in industry. In sketching a picture of industry with a glowing reflection of the future prospect, he had drawn attention to their responsibilities for the training of the men and development of the skills which industry would require.

Mr. Fox asked, "If the Institute is to lead in the field of industrial accounting in the future, is it not essential that sufficient of its members employed in industry should be willing, on the one hand, and enabled on the other hand, to serve on the Council? If the training of articled clerks is to include a period of service in industry, can effective control and supervision of that training be exercised by the Institute unless members who are employed in industry play a full and representative part in the affairs of the Institute and the activities of the district societies?"

Mr. A. W. Bowen, B.A., A.C.A., (London) asked if the Institute was neglecting its duty in failing to give a more positive lead on the question of accounting for changing price levels. Mr. Fea had mentioned the need for a new approach to the problem. The Institute had issued a booklet on the subject and emphasised the difficulties of altering the historic basis of accounting. A more realistic approach was needed.

The conventional balance sheet gave no indication of how a company had maintained its capital and might well conceal the fact that its true capital had diminished. The conventional profit and loss account overstated the true profit to the extent that depreciation on replacement value exceeded depreciation on historic cost.

Mr. Adams (London), while congratulating Mr. Fea on his excellent paper, disagreed slightly on the importance of articled clerks, who were dealt with in paragraph 64. He would have put them higher in the list. "In my view the whole future of our profession, as in any great profession, rests with the young people—in our case, the articled clerks." From his experience and that of colleagues and from discussions he had had at the Conference, he held the view that the training of articled clerks was quite inadequate to meet the demands of modern industry. Far too much time was spent in checking additions and petty cash. That was

important, but too much emphasis was placed on it.

"We hope that the young people will be given far more opportunity of studying such subjects as costing, budgetary control, taxation, management accounting and even committee work. I mention committee work because the industrial accountant spends a lot of time in committees and it is there that he rubs shoulders with people who are in other walks of life—engineers and scientists, who are extremely well qualified in their own spheres, but some of whom know little about accountancy. Unless the accountant can express his views clearly, sift the facts and put forward suggestions of how problems can be solved, he will not shape up very well with some of the people on the opposite side of the table."

Asking what practical steps could be taken to improve the standing of the article clerk, Mr. Adams said, "First, there should be no differential up to the Intermediate stage. Even at that stage the training should be far more practical for both those who intend to enter the profession and those in other walks of life. After the Intermediate stage there should be a definite break. At that time the young accountant should be able to decide his future line and, if he has definitely decided to go into the industrial side, he should be given every opportunity of going into a large organisation to get to practical grips with some of the problems of his future career." That should present no difficulty, in view of the fact that practical accountants held top posts. Such a scheme would be welcomed as in the long run industry would benefit considerably from it.

Referring to committees which were being formed, he declared, "We have been talking for far too long about the training of article clerks. The time has now come when we want practical results. We hope that as a result of what has been said today something practical will come from these committees. I put in a plea that the future training of those entering industry shall be very carefully considered by these committees."

Mr. J. W. G. Frith, B.A., A.C.A., (Street, Somerset) suggested that a tremendous number of chartered accountants was not needed in industry. "I have found that industry is fairly good at training its own accountants up to a certain level," he observed. He would challenge Mr. Fea on the question of the accountant knowing too much about how his industry worked. "I think industry is seeking only to recruit a limited number of chartered accountants," he went on. "I personally would be against any suggestion of more than a limited part of the time of the article clerk being spent in industry. As soon as he gets involved in industry I am sure he loses a tremendous part of the questioning, investigating, analytical approach, which is what industry really needs from chartered accountants."

Mr. R. O. A. Keel, A.C.A., (London) con-

gratulated Mr. Fea on "a most fascinating and provocative paper," which would set a great many thinking and even more talking on a multitude of points and topics of vital interest to the future of the profession.

Reluctantly, he limited himself to a single line of thought. "We as a profession," he said, "are far too self-satisfied and smug. We are not—I repeat not—sufficiently self-critical," he contended. "Mr. Fea has set out in his paper, in a very positive way, the qualities needed by accountants in industry. I should also like to see some stress laid on our shortcomings. Emphasis on them is all too rare, and this seems an opportunity to get to grips. By the nature of our training as it has been we tend to build up the careful and cautious approach, the reserved opinion, even the pessimistic manner. These are useful and admirable qualities in the right places and on the right occasions, and in the proper dosages. The future of this country depends upon the success of its industry—with a capital I. The success of industry and the extent of that success may well depend on the action and advice of the members of our profession, whether in practice or in commerce."

Too often we hear accountants labelled as pessimistic, inhuman and advisers of the timid approach. This is bad, not only for us, but also for our country. To the quality of integrity I would add the quality of courage. To the virtue of being able to get on with other people, I would add the need to cultivate friendliness and co-operation. The accountant in industry particularly needs these further qualities, for they will enable him to get closer to the common man and to generate and demonstrate that boldness of original thought and leadership in accounting and accountability which are going to be so urgently needed in the coming years."

Mr Fea's Reply

Replying to the discussion, **Mr. Fea** said it was no new thing for Mr. Dixon and him to differ on this question. Usually Mr. Dixon won, but on this occasion Mr. Fea had the advantage of the last word.

Mr. Dixon was definitely against having alternative articles. An interesting suggestion, which to some extent married with that, was made by Mr. Adams. It was that there should be some divergence of the ways after the Intermediate examination. "I have an open mind on what form the divergence should take and when," Mr. Fea added. "I feel this is a matter for very careful consideration. One possible method has been suggested, but there may be many others. I feel strongly that we cannot have one 'motorway' through this problem. We have to have some kind of divergence, but I do not think that necessarily means we have to have a gap."

In reply to Mr. Dixon, he felt it possible to continue being a chartered accountant throughout one's career in industry. There were plenty of other industrial accountants, not qualified as chartered accountants, in industry. "I think Mr. Dixon

would agree that the responsibility on the industrial chartered accountant ought to be on a more formal basis than it is at the moment," he said, and added that it was not enough just to contribute to discussions in committees. "I want to see industrial accountants co-operating much more practically in the training of young accountants. For that reason I have suggested lengthened articles and extra time in industry under the direct responsibility of someone acting *in loco principalis*."

He was afraid this did not answer Mr. Dixon adequately. He would far rather argue the matter privately and he was sure there would be much argument in private. He agreed with Mr. Keel that there should be more talking about their problems, and he hoped there would be a lot of thinking behind the talking.

In answer to the plea by Mr. Fox that to improve industrial accounting conditions, it was essential for members to be willing to serve on the Council and its committees, he pointed out that at present five industrial accountants were serving on the Council. That development, an entirely post-war one, should be encouraged. "I feel the real encouragement to industrial accounting must come in the regions and through the training of young men. It is all very well to come out with recommendations and booklets, which are very useful, but they do not in any way reduce the importance of having practical training."

"I quite agree with Mr. Bowen that we ought to have accounting for changing price levels," he went on. "I would join with him in addressing his question to Mr. Benson. I do not defend conventional methods, nor does Mr. Benson."

Mr. Adams asked why I reached paragraph 64 before dealing with the article clerk. I wanted to establish a picture of the finished product before considering how we should try to produce it. I was very glad to hear that he wishes to improve training—although, obviously, he and Mr. Dixon are going to differ! I was grateful to him for the point that there should be some divergence. I certainly think that is so. It might be after the Intermediate and then it would be necessary to have a separate Final examination."

The suggestion that industry did not need many chartered accountants he countered by saying, "I should have thought that the experience of the last twenty-five years shows that it does need chartered accountants. It has four times as many as it had in 1932 and industry is not given to taking things of that kind if it does not want them. One must also remember Gresham's Law; I am not intending to be discourteous, but if you have two qualities of money circulating, Gresham's Law reminds you that it is not the better that survives."

Mr. Keel was right in suggesting that they needed to stress their shortcomings, but he (the speaker) had taken up too much time on the qualities that were wanted.

Someone else must write a paper about

shortcomings. Mr. Dixon had started the discussion by referring to a parable, so he would end by reference to another. He was well aware that the beams in their own eyes must be considered rather than the motes in the eyes of others.

Vote of Thanks

Proposing a vote of thanks to the two speakers, Mr. Stanley Kitchen, F.C.A., (Birmingham) said that these two very distinguished accountants had looked forward to the future with imagination and foresight and given them very much food for thought. It was significant that there was much common ground in the two papers and both pointed to very similar conclusions.

"Mr. Benson has expressed the future of professional practice in its many facets, none more appealing than the new approach

to auditing, the desirability of which is becoming more and more evident. Both speakers referred to the heavy protection which the auditor gets under the Companies Act. Indeed, if one refers to the Companies Act one realises how very difficult it is to resign—so much so that I have heard it referred to as anointing instead of appointing when the accountant announces with great dignity his willingness to continue in office!" (Laughter.)

Mr. Fea had referred to the qualities expected of the industrial accountant. Mr. Kitchen ventured to suggest that those qualities are most useful, indeed, probably essential, also to the professional accountant, particularly if he had to enter into the field of organisation referred to by Mr. Benson in those happier words, "management services."

If there was one conclusion to be drawn

from the two papers it was the vital importance of education. There might possibly be a compromise in Mr. Fea's suggestions about the period of training in industry. The accountant going into professional practice might be assured of getting industrial training. Articled clerks were most important, but they must also keep their staffs up-to-date and educated in the art of accountancy.

Mr. Kitchen entertained his hearers by relating the story of a very irate client who rang up the senior partner of a well-known firm of London accountants to complain about his treatment. The partner replied, "Yes, I know. It is all very well, but an accountant should have 5 per cent. knowledge, 45 per cent. commonsense and 50 per cent. tact. Unfortunately, my accountants have neither commonsense nor tact."

The Progress of Tax Reform

The President, introducing Sir William Carrington, F.C.A., remarked that the Autumn Meeting Committee had been delighted that it had persuaded Sir William to give his paper. Born in Lancashire in 1904, he was articled in 1921 with a Preston firm of chartered accountants. Maybe as a result of winning the Whinney Prize in the Final in 1926, he joined the staff of Whinney, Smith & Whinney in 1927 and was admitted a partner some years later. Sir William had played a notable part in the affairs of the Institute, especially in the Taxation and Research Committee. He had served on almost every Council Committee, was at present Chairman of the General Purposes Committee, and President of the Benevolent Association. He had been a member of the Royal Commission on the Taxation of Profits and Income and also a member of the government committees on the taxation of trading profits and the taxation treatment of provisions for retirement. "One of the honours Sir William prizes most," the President continued, "is being a Younger Brother of Trinity House. We were all extremely pleased when we heard the decision of Her Majesty to create him a Knight Bachelor in this year's Birthday Honours." (Applause.)

Sir William Carrington then summarised his paper reproduced on pages 520 to 530 of this issue of ACCOUNTANCY.

The Domicile Bill, which had been introduced in the House of Lords as a Private

Members' Measure, was discussed by Mr. J. E. Talbot, F.C.A., (London). If passed into law in its present form, he said, the Bill would radically affect the income tax and estate duty liabilities of a number of individuals. It was expected to be brought before the Commons in the forthcoming session. "Its main object, I understand, is to simplify divorce proceedings in which questions of domicile arise," Mr. Talbot said, "but its sponsors hardly appear to have noticed its important tax and estate duty implications."

Under the law of domicile as it had stood hitherto a great deal of emphasis had been placed upon an individual's domicile of origin. In consequence, most overseas nationals who had come to live and work in this country for some years had been recognised as having retained their overseas domicile. As a result, if they were employed in this country by an overseas employer, they were taxed only on remittances from their remuneration and from any overseas investment income. If they died in this country, estate duty was payable only on such property as they possessed in this country.

"The Domicile Bill would completely alter the position by changing the legal presumptions for determining an individual's domicile," he continued. "It would enact as general rules, first, that 'a person's domicile is in the country in which he has his home and intends to live permanently'

and, secondly, that 'a person who has a home in a country is presumed to intend to live permanently in that country.' While the Bill provides that these presumptions 'may be displaced by proof of a different intention,' it still places the onus of proof on the individual and it has been said that anyone seeking to discharge that onus might well be 'buying a law case.'

It is likely that the main class of people who would be affected is the considerable colony of Americans working at the British headquarters of their American employers. It is hardly surprising that they have been feeling misgivings about the Domicile Bill. Only two years have elapsed since a short provision was inserted in the Finance Act, 1956, especially to exempt from income tax on earnings not remitted to the United Kingdom this class of persons, who would again be placed in jeopardy by the present Bill.

I am not advocating that in settling our domestic reforms we must always and at all costs avoid 'being beastly to the Americans.' That is not the point. What I do suggest is that in making our domestic reforms we should be careful not to produce indirect consequences which would act unfavourably upon our own country—financially, economically, or in some other way.

If we take steps that might deprive our American and other overseas visitors of tax and estate duty treatment which they have enjoyed ever since those levies were first imposed, we might very well drive them away. For many years London has been chosen as the European headquarters of a number of major overseas organisations, but Paris, Rome, Brussels and other places have their attractions—which may well grow as the European Common Market gets fully established.

I submit that we should take care not to enhance the claims of our rivals. Sterling is

not yet so strong that we can afford to throw away the dollar and other currency earnings which these visitors bring us, or the other financial and commercial advantages which result from the establishment in this country of their European headquarters."

Mr. Talbot concluded, "The lawyers tell us we need a new Domicile Act to rationalise the law of domicile, but do we need that law to apply for the purposes of income tax and estate duty?" He asked if Sir William would comment on the possibility of so amending the Bill as to provide specifically that its presumptions had no application for income tax and estate duty purposes.

As a shipping accountant, Mr. S. C. Cooke, B.A., A.C.A., (London) commented on what Sir William had said about taxation of shipping profits. The paper suggested that British controlled shipping companies engaged in foreign service should be exempted from tax on their trading profits and tax should be levied instead on debenture and loan stocks, interest and dividends paid to shareholders.

"I feel that the shipping companies concerned would wish to approach that suggestion with a great deal of caution," he said. "Such a change in the United Kingdom basis of taxation might well upset the reciprocal agreements between us and certain other countries relative to taxation of shipping profits. Our position might conceivably be worse than it is now."

He had intended to give the illustration of a company which, in addition to tax on distribution, interest and dividends, would be called upon to pay tax abroad on its foreign earnings, which at the moment were exempt as a result of reciprocal agreements, but the speaker had partially dealt with that by suggesting that there would be a right of set-off. "Nevertheless," Mr. Cooke went on, "I think we might be unwise to ignore taxes other than income tax. I am thinking of capital gains taxes, taxes on wealth and others which certain foreign countries have imposed, or are thinking of imposing."

On investment allowances and methods to make them more effective, Mr. Cooke said, "If a shipowner is engaged on a heavy replacement programme it may happen that some of the profits are insufficient for him to receive more than a fraction of the relief the allowances are intended to afford until some years after the expenditure is incurred. It is the heavy taxation of previous profits, combined with ever-increasing replacement costs, which has placed such a heavy strain on cash resources available now for replacement."

Is it not therefore logical to suggest that investment allowances which remain unabsorbed by current trading profits should first be applied as a set-off against investment income and then be carried back—instead of forward—and a refund made of tax paid in past years?

I am aware that in putting forward that suggestion I am making what amounts to an *ex parte* proposal of marriage between income tax and logic and the two are not

always known to be linked together in harmony! (*Laughter.*) British shipowners will, I feel sure, be grateful to Sir William Carrington for drawing attention once again to the unequal competition which the shipping industry has to meet from competitors operating completely free of the heavy burden of taxation." The suggestion he had put forward concerning investment allowances would provide a considerable measure of relief in the "really alarming situation" which British shipping was facing.

Mr. E. C. Meade, A.C.A., (London) took up Sir William's reference to withdrawal of the Chancellor's "umbrella" a year ago. When the Special Commissioners were considering the making of a direction on a company which, for some reason or other, had failed to remain under the shelter of the umbrella, they were prepared to ignore the rigours of the penal legislation, provided that the company in question agreed to pay a belated dividend which, in their view, represented a reasonable distribution of income for the period concerned. Moreover, it was usually found in such cases that they were prepared to consider as reasonable a distribution equal to approximately 30 per cent. of the net profits of the company for the period. "We have now come to the position where the Chancellor has furlled his umbrella and the Special Commissioners have resolutely refused to issue a policy statement on these matters," he said, and proceeded to put a number of questions to the lecturer.

"Firstly," he asked, "dealing with the matter in its broadest aspects, would you agree with me that it is highly undesirable that the practice of the Special Commissioners in this regard should be so far removed and contrary to the legislation on the statute book? If the Inland Revenue is convinced—and its present practice seems to support the view that it is—that in equity a direction to surtax should be limited to that part of the income of the company that could have been reasonably distributed, surely it is high time that the process of tax reform should be pursued a step further, so as to amend the legislation to bring it into line with the current practice, thereby giving effect to the recommendation of the Royal Commission? Can you see any difficulties that prevent this being done?"

Again, can you give us any guidance on the policy of the Special Commissioners in such cases, now that the umbrella has been furlled? Will they continue to be prepared to agree to forego making a direction if the company under enquiry agrees to pay a belated dividend which they consider to be reasonable? Can you offer any guidance as to the percentage distribution of available profits that it can be assumed will satisfy the Commissioners, bearing in mind that dividends in future will no longer affect the calculation of the charge to profits tax?

Lastly, I would value your opinion, Sir William, on the desirability of applying for clearance in respect of accounting periods

ending after the date of the furling of the umbrella."

Mr. E. K. Wright, M.A., F.C.A., (London) said that for ten years a great deal of work had been done in preparing a detailed blueprint of the strategy of taxation reform. In that work, the Institute and Sir William had played a notable part and the results were to be found in the Reports of the Millard Tucker Committees and the Royal Commission. Those documents contained more than 150 recommendations, which were concrete proposals for reform.

"I think we are agreed that the majority of them are desirable and ought to be enacted as law as soon as possible," he observed. "A great deal has been done already. We should be interested to know whether Sir William thinks that reasonable progress has been made. There have been great advances in the treatment of losses, Overseas Trade Corporations, the abolition of the double-tier profits tax, the taxation of annuities, provisions for retirement benefits for the self-employed, and so on. In spite of all the Parliamentary activity in the past few years, however, my guess is that only about one quarter of the recommendations have been implemented. Probably there are at least eighty worth-while proposals still to be dealt with."

Why is progress so slow? I do not think the answer is that the proposals are politically or economically undesirable, or that the Revenue is directly opposed to many of them. I think the answer is that on the one hand pressure on Parliamentary time is so great and, on the other, that the Revenue has an innate conservatism natural to a body which carries responsibility for making an enormously complicated machine work—it naturally prefers the devil it knows. If I am right, progress with tax reform will come only with unrelenting pressure on Parliament and on the Revenue from outside. Taxation reform needs a good public relations officer. I put it to Sir William that the Institute is very well qualified for that job—indeed, it is already doing it with some success.

It is here that tactics come into the picture. If we ask too much at once we shall be baying for the moon. Year by year we should concentrate, not on what is desirable, but on what is practicable. I should like to suggest that one of Sir William's proposals ought to receive special attention this year—the actual year basis for the assessment of profits under Schedule D. As he says in his paper: 'The preceding year basis is not illogical, but can give rise to major hardship and on occasion it facilitates tax avoidance.' All of us here know of the formidable complexities of the previous year basis and of the commencement and cessation provisions. I am sure articulated clerks will agree! A much needed breath of realism would be brought into the fiscal system if tax could be payable on actual profits of the year, instead of those of some other period."

Finally, Mr. Wright asked the following



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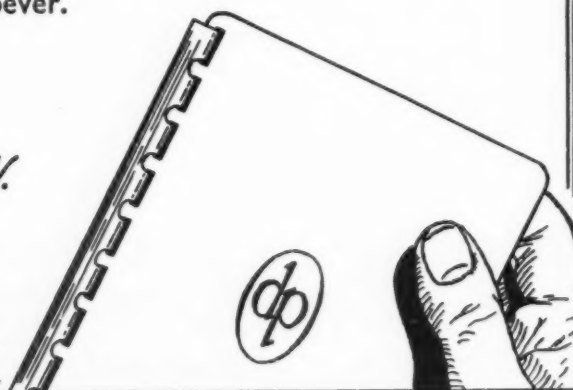
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questions: "(a) Whether Sir William thinks a change over to the actual year basis is practicable; (b) Whether it will be possible to achieve it except by a firm directive from the Chancellor similar to that which Sir Kingsley Wood gave during the war, and that Schedule E should be put on an actual basis; (c) Whether the Institute could help to bring about this reform by making representations now to the Chancellor on this single point, or alternatively, by the President referring to the matter in his public speeches."

He pointed out that Sir William had already answered the first of these questions, but he still asked it because it was most valuable to have the answer emphasised.

Mr. P. Livingstone Armstrong, F.C.A., (London) drew attention to other aspects of tax reform mentioned by Sir William and also by Mr. Wright.

"As Sir William said, the reform we all would like to see most would be a substantial reduction in tax both on individuals and corporations, directly and indirectly," he added. "Britain, more perhaps than any other country, depends on its industry and the initiative, opportunities and incentives given to our people."

Accountants could play an important part in advising on the evils of restriction and the need to safeguard profits and working capital for enterprise. This problem must be faced increasingly in future. "Our profession is developing; I should like younger members especially to realise that their work can and must be constructive," he stressed. "In our modern society tax work is vital for the protection of the taxpayer, but the accountant should never forget his duty also of advice for the prosperity of his clients and, ultimately, for the future of this country."

Mr. W. Roger Carter, M.A., F.C.A., (Manchester) endorsed what had been said by Mr. Talbot about the Domicile Bill. He suggested that the Institute should make a strong plea that ample time should be allowed for further and better consideration of the fiscal implications of the Bill.

He quoted Sir William's reference to Sections 46 and 55 of the Finance Act, 1940. "As I understand the position—and I have some experience—" he said, "Section 46 is invoked in practice only in cases where steps have been taken by the taxpayer which are considered by the Estate Duty Office—usually broadly and reasonably considered—to be of an evasion character. One has in mind that these provisions are pre-eminently of unrivalled complexity and difficulty, and couched in language so tortuous and obscure as to be meaningless. Notwithstanding that, I should be grateful if Sir William would tell us whether he agrees with my comment that in practice Section 46 is not usually invoked in unreasonable circumstances."

Col. N. B. Hart, O.B.E., T.D., D.L., M.A., LL.B., F.C.A., (Brigg) suggested that the pamphlet on settlements issued to surtax payers by the Special Commissioners "for

sheer ingenuity and complexity" rivalled the 1940 Finance Act, a description of which Mr. Carter had just quoted. "If that is the Inland Revenue's idea of tax reform, we have a long way to go," he declared.

The root of the trouble was legislation by reference. The Sections referred to in the pamphlet were bad enough, but when a completely new Section was imported, the matter became almost unintelligible. "To push that out to all and sundry who know nothing about income tax seems the absolute height of uselessness," he said. "It means a great deal more work for us, for which we hope to get paid, but I should have thought that the Revenue could have explained in words of one syllable what they are trying to get at. If this backdoor method of legislation by reference cannot be avoided, at any rate it should take steps to make its issues of literature intelligible to the people who receive it."

Mr. E. N. Macdonald, D.F.C., F.C.A., (Liverpool) asked Sir William to clarify the point he had made about loss of tax resulting from compensation for loss of income, following the Gourley decision. Those payments in the ordinary way would be met either by insurers or traders whose taxable profits would be diminished by allowing the payments as an admissible deduction.

"If an adjustment is made to the payment, *ex hypothesi* the compensation itself would not be taxable in the hands of the recipient," he said and asked, "Is there, therefore, any loss of tax to the Revenue and any financial stimulus to amend what we all regard as a very unsatisfactory position?" The danger was that in certain cases where compensation payment was in doubt as to assessability there might be the spectacle of a court sitting on a breach of contract and in effect deciding a hypothetical tax position without adequate argument on either side.

He raised a further point on the section of the paper dealing with subvention payments. There Sir William gave a salutary reminder that there must be an agreement or deed making the subvention binding and that if there was an agreement some identifiable consideration must pass from the payee to the payer. "I wonder if Sir William would agree that this is simply a piece of draftsman's pedantry?" he asked. "Here we have an entirely benevolent section. It applies only where there is a 75 per cent. association between the companies concerned and we have to scratch around for illusory, or even derisory considerations alleged to move from the payee to the payer. Would it not be a reform to scrap that altogether and make it a valid contribution and no more?"

Sir William's Reply

Sir William Carrington dealt at length with the many interesting points in the discussion.

He had made no reference to the Domicile Bill because his paper was written long before the Bill was made public. "I know that the Private Member of the House of Lords who introduced the Bill is a very dis-

tinguished lawyer and drafted it largely himself. I know he said he had no tax considerations in mind, but the Bill will have most serious repercussions if it becomes law. The American community have busied themselves in studying it and making representations in the appropriate quarter. I should not like members to think that the Council has been idle on this matter. The appropriate Committee of the Council is actively studying this Bill and studying its tax implications. I think it might be safely assumed that representations on the possible results of the Bill will be made.

A question was asked about whether it would be possible to exclude tax from the ambit of the Bill. I am no Parliamentary draftsman, but I should have thought the answer is 'yes,' and my personal hope is that the exclusion will be effected."

On Mr. Cooke's remarks about the difficulties in which shipping companies found themselves, Sir William said, "As to repercussions abroad of any such proposal as I threw out for consideration, that is a matter for consideration by those affected. I am not introducing a Bill; I am merely putting out an idea for consideration. I have no doubt that the Chamber of Shipping, ably led by Mr. Aston, if they do not like the proposal, will not be long before they let the Inland Revenue know. It is not the practice of shipping companies to mute their loud hailer."

He thought the proposal that investment allowance should be set off against investment income was fair and just, but added that the carrying back of investment allowance would be going a bit too far. "We must draw the line somewhere," he insisted, "and if you carry back investment allowance, why should you not carry back personal allowance when a person's income drops below his subsistence line?"

Taking points made by Mr. Meade about company surtax, Sir William emphasised, "I have said in my paper and I repeat categorically that in my view the legislation should be turned round so that in the event of a direction being made it should apply only to that portion of the profits which the Special Commissioners, and if necessary the Board of Referees on appeal, decide is a reasonable proportion to distribute. If the Special Commissioners are able to say something is unreasonable it should not be beyond their capacity to say what is reasonable."

He had been asked about guidance on policy, but he was not in the confidence of the Special Commissioners and could not say what policy had been laid down for them. "But my experience shows that if you are attacked, you can go and arrange a retrospective dividend."

As to the proportion of the profits to be distributed, what was, as the Act said, "reasonable"? The position was affected by any capital commitments and expansion programme the company might have in mind. "I would strongly maintain that with the present uncertain economic future it is

perfectly reasonable for a company to distribute not more than 30 per cent. to 35 per cent. of the net profit after tax. In the generality of cases my target figure would be 35 per cent. and I do not think the Special Commissioners would quarrel unduly with that."

Sir William added, "I am a firm believer in removing doubt and uncertainty and, therefore, for companies which are within the scope of this legislation, applying for clearance."

Mr. Wright had said there were twenty-five or forty—he forgot which—ways of avoiding the remittance basis. He would like to know what those ways were. He thought there were about ten ways. (*Laughter.*) It was of tremendous importance that large international companies should have headquarters in this country; it was important that staff should be switched from one country to another. "We should not do anything which would drive those headquarters away from here," he said, "or anything to prevent the flow not only of capital between one centre and another, but the flow of ideas, technicians and so on. Therefore, taking a rather broader view than the merely theoretical one, I think the preservation of the remittance basis for people working here on behalf of overseas companies is justified on the grounds of practical politics."

The second point of Mr. Wright's remarks concerned what tactics should be employed. I do not want it to go out from this room that the Institute is a pressure group. It is not. The purpose of the Institute as I understand it is to call the attention of the Chancellor to inequities, anomalies and administrative difficulties in the tax code and to advise the Chancellor and the Board of Inland Revenue whether we think taxation proposals will work or not.

I entirely agree that it is high time that the basis of assessment under Schedule D was changed to that of the actual year and I trust that the President of the Institute and others will bear that in mind in public speeches. I think I may say that the Committee responsible for making representations on Finance Bills and for having discussions with the Treasury and the Inland Revenue will not forget the point either. I do not think the Inland Revenue is unsympathetic to this idea in principle, but has to be persuaded, in its own words, that it is administratively possible. From such experience as I have had in committees and the like, I think the basis is possible. I think it high time the Inland Revenue took its courage in its hands and went forward with the implementation of this idea. It took a long time for Pay-as-you-earn to be accepted within the Inland Revenue, but it was accepted, and now no one thinks anything more about it. It might be that before long we shall see something of what we want in this direction."

Mr. Armstrong had referred to the burden of taxation. "The real burden is undoubtedly the high rate," commented Sir William. "I am absolutely convinced of

that. We shall never get real alleviation of industries and individuals until the rates themselves are lowered."

He agreed with Mr. Carter that Section 46 of the 1940 Finance Act was an anti-avoidance provision and that generally it was not brought into play. "My objection to it in the past—I am glad to say I have not noticed this recently—has been that on occasion when agreement has not been reached in regard to the valuation of shares in private companies, Revenue officials have brought out Section 46 as a kind of masked threat and have wondered if it might be applicable in the case under review," he said. "I will not call it blackmail, but, as long as that Section is on the statute book it represents a potential danger, despite the fact that on more than one occasion the Chancellor and Revenue spokesmen have said it is anti-avoidance legislation. It is too cumbersome, too complicated, too widespread and, along with scores of other estate duty matters, it needs polishing, clarifying and compressing."

He was glad to know that Col. Hart had arrived at a proper understanding of the Special Commissioners' circular and was able to advise his clients upon it. (*Laughter.*) "Personally, I feel like the songster last night in *My Fair Lady*; I shall need 'A Little Bit of Luck'."

On Mr. Macdonald's question, there might not be loss of revenue to the Treasury as a result of the *Gourley* decision because in nearly all the cases the recipient was not taxable on the sum he received whether those sums had or had not been diminished by the court of reference to the tax factor. "But my point is, why should the wrongdoer be let off for a smaller sum because the House of Lords has said that the court must take into account the impact of taxation?" he pointed out. "I know this is a controversial point. It is not a fiscal point, but a moral one and when you get moral points brought out personal opinions are uppermost. Each man has his own opinion, but you will remember that the committee of very eminent legal gentlemen which has been considering this point was unable to reach anything like a unanimous opinion. There were three different lines of thought. Each line of thought was backed by people for whom one has the utmost respect by reason of their learning, experience and integrity. I have put forward my view and others may have a different one."

He did not think the provision in regard to subvention payments was purely "a draftsman's plaything" in referring to the necessity of an agreement. "I have reason to believe that the draftsman had in mind the principles of company law and administration," he said, "and felt that unless there was an agreement the directors might be held to be acting *ultra vires* if they sanctioned a gratuitous payment by a company for which they were responsible."

As I have endeavoured to point out in my paper, it is not necessary that the consideration should be adequate, but surely there is no great difficulty in identify-

ing the consideration. All that is needed is an agreement between the two companies to share one another's losses up to a stated figure, or the figure may not be stated. Then you have a consideration passing from the recipient in that the recipient has made a promise to make a payment in a future year if the other company sustains a loss.

Personally, and to be on the safe side where the figures are likely to be large, I prefer to have a deed, but that may be an excess of caution. However, we must have an agreement and when the word occurs in an Act of Parliament, it means that the agreement is enforceable and there must therefore be an identifiable consideration if it is not under seal."

A vote of thanks to Sir William Carrington was proposed by Mr. Cecil C. Taylor, J.P., F.C.A., (Liverpool) who, on behalf of those in the body of the hall, echoed the congratulations offered by the President on Sir William's knighthood. Why, he asked, could not the Inland Revenue be like them? Their idea of progress was well exemplified by Sir William's paper. The Revenue's idea of progress started at 2s. in the £ and crept rapidly upwards as incomes rose. They acknowledged with pride and gratitude the part that Sir William had played on committees and Royal Commissions on taxation and delighted in the honour he had brought to the Institute, Mr. Taylor concluded.

Returning thanks, Sir William Carrington said, "I hope that now we have passed beyond that stage in the days to come we accountants shall not be spending so much time deciding, or helping to decide, how the cake shall be cut up, but that our efforts will be directed on the lines indicated by Mr. Benson and Mr. Fea in endeavouring to see that the cake is a larger one."

Speeches of Thanks

At the end of the last business session, the President expressed the thanks of all attending the Autumn Meeting to the sponsoring hosts, the London District Society, in particular to Mr. C. W. Aston, the indefatigable Chairman, Mr. C. Romer-Lee, M.A., Honorary Treasurer, and Mr. C. J. M. Bennett, B.A., the Honorary Secretary of the Society's Autumn Meeting Committee. He also thanked individually the chairmen of the Society's Autumn Meeting Sub-Committees: Reception, Mr. J. D. Russell, M.A.; Excursions, Mr. N. Cassleton Elliott, M.A.; Printing, Mr. G. F. Ansell; Ladies, Miss Ethel Watts, B.A.; and Golf, Mr. L. R. Elcombe; and also Mr. E. K. Wright, M.A., the immediate past-Chairman, who had a great deal to do with the early stages of planning for the Meeting.

At the next Autumn Meeting, to be held in Blackpool, he hoped they would be able to renew the many friendships they had made in those last few days.

Returning thanks, Mr. C. W. Aston said that it was entirely due to the members of his Committee that the Meeting had run so well. He also thanked the Festival Hall authorities for the excellent arrangements they had made.

Meetings of the Council

AT SPECIAL AND ordinary meetings of the Council held on Wednesday, October 1, 1958, at the Hall of the Institute, Moorgate Place, London, E.C.2, there were present: Mr. W. L. Barrows, President, in the chair; Mr. C. U. Peat, M.C., Vice-President; Mr. H. Garton Ash, O.B.E., M.C., Mr. E. Baldry, O.B.E., Mr. C. Percy Barrowcliff, Mr. T. A. Hamilton Baynes, Mr. J. H. Bell, Mr. J. Blakey, Mr. P. F. Carpenter, Sir William Carrington, Mr. G. T. E. Chamberlain, Mr. J. Clayton, Mr. C. Croxton-Smith, Mr. W. G. Densem, Mr. S. Dixon, Mr. W. W. Fea, Sir Harold Gillett, M.C., Mr. J. Godfrey, Mr. G. G. G. Goult, Mr. P. F. Granger, Mr. L. C. Hawkins, Mr. J. S. Heaton, Mr. D. V. House, Mr. P. D. Irons, Mr. H. O. Johnson, Mr. W. H. Lawson, C.B.E., Mr. H. L. Layton, Mr. R. B. Leech, M.B.E., T.D., Mr. R. McNeil, Mr. J. H. Mann, M.B.E., Mr. Bertram Nelson, C.B.E., Mr. W. E. Parker, C.B.E., Mr. S. J. Pears, Mr. F. E. Price, Mr. L. W. Robson, Mr. G. F. Saunders, Mr. K. G. Shuttleworth, Mr. C. M. Strachan, O.B.E., Mr. J. E. Talbot, Mr. E. D. Taylor, Mr. A. D. Walker, Mr. V. Walton, Mr. M. Wheatley Jones, Mr. E. F. G. Whinney, Mr. J. C. Montgomery Williams, Mr. R. P. Winter, C.B.E., M.C., T.D., with the Secretary and Assistant Secretaries.

Resignations from the Council

The Council received with much regret the resignation of Mr. William Gordon Campbell, B.A., F.C.A., London, and of Mr. George Lawrence Capel Touche, B.A., F.C.A., London, of their membership of the Council. Mr. Campbell had been a member of the Council since 1947 and Mr. Touche since 1950.

Presentation of Prizes

In presenting the following prizes to the undermentioned candidates who were able to attend the meeting of the Council, the President said:

Gentlemen,
It is a great pleasure and privilege for me as President to welcome you on behalf of the Council and to congratulate you all on your signal success in the recent Institute and Society examinations.

This is the first occasion on which there have been present men receiving honours in the examinations of the Society of Incorporated Accountants, now in voluntary liquidation, whose examinations the Institute is conducting in conjunction with the Institute of Chartered Accountants of Scotland and the Institute of Chartered Accountants in Ireland. There were this year five honours awards in the Intermediate examination and one in the Final, and I shall in a few minutes have much pleasure in handing over Honours certificates in respect of them.

The prizewinners and honoursmen, who have just surmounted the examinations, have yet many ordeals to overcome. Some are only half way through their apprenticeship and have still the hurdle of the Final, and we hope that they will succeed equally well at that time. Then there are those who have passed the Final examination so successfully. To you all we say "Well done!"

I was recently looking at the examination results of fifty years ago and I noted with interest that at that time there were only a total of 356 candidates for the Final and Intermediate together. In the recent examinations, 3,790 candidates were examined—a tenfold increase. The rapid growth of the Institute means increasing responsibilities.

Examination success alone will not make the true chartered accountant. It is, however, a very useful basis of achievement on which to build. It is necessary for us all to show in our lives and characters that we are fitted to be members of our great profession. We have to show not only mental ability but also the qualities of integrity and honesty, adaptability, imagination, alertness and thought for others, which exemplify personality and character.

Those of you who have passed the Final examination are on the threshold of your career. Do not forget that we never cease to learn, and if we are to give effective service to the public it is necessary to keep up to date with our reading, our ideas and what is going on in the world.

The future is in the hands of you young people and others like you. Wonderful opportunities are available for service to the public and to your chosen profession. Seize those opportunities and do all that lies within your power to maintain and enhance the reputation the chartered accountant has attained since our Charter was granted seventy-eight years ago.

The members of this Council, who include former members of the Council of the Society, come from varied sections of the Institute—practitioners in London and the provinces and members engaged in industry and local authority work. They have all in their respective spheres given generously of their time and energy to students' societies, district societies and public work of all kinds. I expect you to do likewise. Take an interest in everything, not merely in technical and professional matters. Live a full life and put all you have into it. Remember that good health is vital and that active participation in sports and games, interest in literature and cultural activities and many other things, which are outside examination syllabuses, will enable you to live that full life. The wider your interests the better chartered accountant you will be capable of being.

On behalf of the Council I congratulate

you, once again, on your achievements and I wish a full, happy and useful life to you all. (Applause.)

INSTITUTE EXAMINATIONS FINAL

First Certificate of Merit, the Institute Prize, the W. B. Peat Medal and Prize and the Frederick Whinney Prize

T. G. R. Lawrence (B. J. Davis) London

Third Certificate of Merit and the Plender Prize for the paper on General Financial Knowledge, Cost and Management Accounting

L. W. Green (C. Halpern) London

Fifth Certificate of Merit

R. D. Smith-Wright (S. W. Penwill) London

Sixth Certificate of Merit

C. F. M. Rawlinson (A. E. Limehouse) Rugby

William Quilter Prize and the Plender Prizes for the papers on Taxation and Auditing

A. J. K. Woodhead (C. Couchman) London

Plender Prize for the paper on Advanced Accounting (Part II)

B. Gillitt (J. R. Mead) Coventry

Plender Prize for the paper on English Law (Part I)

J. B. Humphreys (T. O. Brennan) London

INTERMEDIATE

First Certificate of Merit, the Institute Prize and the Robert Fletcher Prize

D. J. Williams (C. G. Jolliffe) Newport, Mon.

Second Certificate of Merit, the Frederick Whinney Prize (shared with one other) and the Plender Prize for the paper on Book-keeping and Accounts (Partnership)

R. J. Clark (B. C. Cornes) London

Third Certificate of Merit, the Tom Walton Prize and the Frederick Whinney Prize (shared with one other)

P. W. Lacey (S. Fawcett) Salisbury

Fourth Certificate of Merit and the Flight-Lieutenant Dudley Hewitt, D.F.C., Prize

A. G. J. Keat (D. A. Huggons) Hove

Fifth Certificate of Merit

D. P. L. Davies (R. H. Martin) Cardiff

Plender Prize for the paper on Book-keeping and Accounts (Limited Companies)

M. Duffitt (R. W. Lloyd) London

Plender Prize for the paper on Taxation and Cost Accounting

N. F. Lewis (J. Green) London

SOCIETY EXAMINATIONS

Honours Certificates were awarded to the following:

FINAL

D. I. Matthews, Birmingham

INTERMEDIATE

E. Bates, Newcastle upon Tyne

N. F. Marshall, Salisbury

J. Partington, Leeds

K. W. J. Saunders, London

E. A. Tillman, London

Sir Harold Gillett

The congratulations of the Council were tendered to Sir Harold Gillett, M.C., F.C.A., as Lord Mayor elect of the City of London.

Welcome to New Member

The President welcomed Mr. G. G. G. Goult, F.C.A., who was attending for the first time as a member of the Council. Mr. Goult briefly replied.

Exemption from the Preliminary Examination

Two applications under bye-law 79 for exemption from the Preliminary examination were acceded to.

Exemption from the Intermediate Examination

One application under bye-law 85(b) for exemption from the Intermediate examination was acceded to and two applications were not acceded to.

Reduction in Period of Service under Articles

Four applications under bye-law 61 for a reduction in the period of service under articles were acceded to.

Description of Firms with Chartered and Incorporated Partners

The Council has decided that, so far as the Institute is concerned, the description "chartered and incorporated accountants" may be used by a firm which would be entitled to describe itself as "chartered accountants" except for the fact that in addition to the chartered accountant partner(s) the firm includes a partner who is an incorporated accountant member of the Institute or more than one such partner; provided that on the firm's letter-heading and wherever else the partners' names are listed the appropriate description and/or designatory letters appear after each partner's name.

Stock Exchange, London, Rule 79a

Paragraph 5 of the new rule 79a of the Stock Exchange, London, relating to balance sheets of members of the Stock Exchange, provides as follows:

- (5) There shall be attached to such balance sheet a report to the firm or member by the accountant stating
- whether the balance sheet has been prepared and presented in accordance with the provisions of this rule and
 - whether his work has been limited to the preparation of the balance sheet from the books and supplementary records or whether, by arrangement with the firm or member, he has in addition carried out any audit work, and if so the scope of such work.

The Council of the Institute of Chartered Accountants in England and Wales has consulted the Stock Exchange in regard to the interpretation of this paragraph and has been informed as follows:

The requirement in paragraph 5 for the accountant to state "the scope of such work" was introduced partly because the committee dealing with the redrafting of this rule came to the conclusion that in many cases Stock Exchange members were not clear as to the scope of the work carried out by the accountants they had appointed under the old rule 79a, nor were they clear as to the degree of responsibility accepted by such accountants. The committee formulated the new rule in the hope that this would ensure that accountants would follow fully the advice contained in the booklet entitled *Reports on accounts of sole traders and partnerships* published in May 1955 by the Institute of Chartered Accountants. They had in mind in particular paragraphs 4, 5 and 6 of such publication.

The Council of the Institute has also raised with the Stock Exchange the question of the time factor in relation to the next applications and is informed as follows:

The new rule 79a does not specifically require any work to be done that was not done to comply with the old rule other than to require the accountant to report on the scope of his work. Therefore, an accountant is not required by the rule to do any further work than he did in the previous year, beyond making a report. It is hoped, however, that the rule will lead to Stock Exchange members and their accountants consulting together with a view to arranging the carrying out of such audit work as may appear desirable. But this will be a voluntary arrangement between the member and his accountant and can, of course, be introduced when convenient.

The Council welcomes the opportunity of issuing this statement, which should be helpful to those members of the Institute whose clients include members of the Stock Exchange.

Registration of Articled Clerks and Bye-Law Candidates of the Society of Incorporated Accountants

The registration under the scheme of integration of articled clerks and bye-law candidates of the Society of Incorporated Accountants is now almost complete.

Any former student of the Society whose service in England and Wales has been interrupted by one or more periods of service spent outside that area is invited to communicate with the Secretary of the Institute.

Summer Course, Christ Church and Merton College, Oxford

The Chairman of the Summer Course Committee reported on the proceedings at Christ Church and Merton College, Oxford, from September 4 to 9, 1958, and stated that the President had sent letters of appreciation to the three speakers, to the governing bodies of Christ Church and Merton College, and to all others concerned with the conduct of the course. The Council decided that the programme and full text of the three addresses should be reprinted in the form of a combined booklet similar to those prepared for previous courses. Copies are now being printed and will be obtainable on application to the Secretary of the Institute, price 5s. each, post free. An order form will be sent in November to all members of the Institute. Remittances should be sent with orders, which will receive attention as soon as the books are delivered by the printers.

The Council has approved the holding of a similar course from Thursday, July 9, to Tuesday, July 14, 1959.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

ANDERSON, KEITH GEOFFREY; A.C.A., 1956; (Wheeler, Hegarty & Co.), Bevois House, 27/30 Basinghall Street, London, E.C.2.

BIRNE, STANLEY; A.C.A., 1958; (S. 1952); 26 Langhorne Court, Alexandra Road, London, N.W.8.

BLAMPED, PETER GILROY; A.C.A., 1952; (J. T. A. Willcox), Martins Bank Chambers, St. Helier, Jersey, C.I.

BOOY, EDWARD JOSEPH JAMES; A.C.A., 1958; (S. 1955); (Saunders, Horton, Evans & Co.), The Cardiff Chambers, 29, 30 & 31 St. Mary Street, Cardiff.

BURNETT, ERNEST JOHN; A.C.A., 1955; (Victor Stewart & Co.), 35/39 Maddox Street, London, W.1.

BYE, PETER RUSSELL, M.A.; A.C.A., 1958; (Stanley V. Bye & Co.), 137 Albert Road, Middlesbrough.

CLARK, CHARLES WILLIAM; A.C.A., 1958; (S. 1925); (Kingston, Smith & Co.), 110 Cannon Street, London, E.C.4.

DORMAN, RONALD ALFRED; A.C.A., 1958; (S. 1937); (R. A. Dorman & Co.), 2 Observer Chambers, Market Street, Huddersfield.

ELLIS, HUGH HENRY VALENTINE; A.C.A., 1933; (Valentine Ellis & Co.), Charterhouse, London, E.C.1.

GARFIELD, BERNARD; A.C.A., 1958; (S. 1957); 14 Brinkburn Close, Edgware, Middlesex.

GRAY, CHARLES ERNEST; A.C.A., 1958; (S. 1923); (Macredie & Evans), Orchard Chambers, Church Street, Sheffield, 1.

HILDEBRAND, NORMAN; A.C.A., 1958; (S. 1952); (Kingston, Smith & Co.), 110 Cannon Street, London, E.C.4.

HOLLOWAY, FRANK; A.C.A., 1958; (S. 1946); (Frank Hall & Partners), 9 Oxford Row, Park Lane, Leeds, 1.

LEWIS, ROBERT WILLIAM; A.C.A., 1953; (*Price, Lewis & Co.), 2 Market Street, Caerphilly, Glamorgan; also at Penhow (R. W. Lewis).

NIELSON, NORMAN VALDEMAR SCHALDEMOSE; A.C.A., 1958; (S. 1952); (Eric Phillips & Co.), 31 King's Road, Sloane Square, London, S.W.3.

PARKES, DAVID MICHAEL; A.C.A., 1955; (Grace, Darbyshire & Todd), 19 White-ladies Road, Bristol, 8.

RAYNER, MAURICE; A.C.A., 1956; (*Robert W. Watson & Co.), 63 Commercial Road, Totton, Southampton, and at Lymington.

SCANNELL, GEOFFREY CHARLES; A.C.A., 1958; (H. F. Thompson & Co.), 46/47 Chancery Lane, London, W.C.2, and at Welwyn Garden City.

STEAD, DENNIS; A.C.A., 1958; (S. 1952); (Macredie & Evans), Orchard Chambers, Church Street, Sheffield, 1.

WESTBURY, FRANK; A.C.A., 1958; (S. 1953); (Grant, Grierson & Co.), Transport House, 1 The Crescent, Salford, 5, Lancs.

WOOD, FRANK; A.C.A., 1958; (S. 1952); (F. P. Fearnley & Wood), 89 Albion Street, Leeds, 1.

WOOLF, JEFFERY ALAN; A.C.A., 1957; 58 Bridle Road, Eastcote, Pinner, Middlesex.

YEOMANS, JOSEPH, B.A.; A.C.A., 1958; (Cyril Arnold & Co.), 17 Crescent Road, Rhyl, and at Bala, Flint and Ruthin.

Election to Fellowship

The following were elected to Fellowship:

BALES, EDWARD; A.C.A., 1952; 167 Watt Lane, Sheffield, 10.

BOWMAN-VAUGHAN, MICHAEL JOHN; A.C.A., 1952; (†Singleton, Fabian & Co.), 30 Southampton Buildings, Chancery Lane, London, W.C.2, and 65 London Wall, London, E.C.2.

BOWYER, GEOFFREY, M.A., A.C.A., 1929; (J. Earle Hodges, Wright, Judd & Co.), Ridgway House, 41 & 42 King William Street, London, E.C.4.

CHEETHAM, JOHN DUNCAN RITCHIE; A.C.A., 1958; (S. 1939); 20 Exchange Street East, Liverpool, 2.

COATES, HERBERT ARTHUR; A.C.A., 1949; (*J. N. Bancroft & Co.), 120/126 Portland Street, Manchester, 1.

COHEN, LESLIE HAROLD; A.C.A., 1958; (S. 1953); (Bernard Phillips & Co.), 76 New Cavendish Street, London, W.1.

AN ANNOUNCEMENT
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PROFESSIONAL ACCOUNTANTS

The Accountant Liaison Service of The National Cash Register Company Limited is holding a special series of meetings for professional accountants. The object is to consider the latest developments in machine accounting, the creation of input media for electronic data processing systems and the incorporation of electronic techniques in conventional mechanical equipment. Lectures and demonstrations will be given in the Recital Room of the Royal Festival Hall (General Manager: Mr. T. E. Bear). There will be five separate presentations, each lasting one afternoon, from Monday 3rd to Friday 7th November.

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FARMER, MAURICE, B.COM.; A.C.A., 1953; (George Cobby & Co.), 33 Henrietta Street, Covent Garden, London, W.C.2; also at Sevenoaks (M. Farmer).
 GODDARD, NORRIS MATANLE; A.C.A., 1958; (S. 1936); (Goddard & Co.), 42/43 Avenue Chambers, Vernon Place, London, W.C.1.
 HAINSWORTH, ALAN HOLROYD; A.C.A., 1925; (W. Claridge & Co.), 16 Leeds Road, Bradford, 1.
 HARCOURT, MAURICE CHARLES; A.C.A., 1958; (S. 1953); (*Stephenson, Smart & Co.), 26 King Street, King's Lynn, and at Hunstanton.
 HARKER, WILLIAM GIBSON, M.B.E.; A.C.A., 1939; (W. Claridge & Co.), 16 Leeds Road, Bradford, 1.
 JONES, MERLIN; A.C.A., 1958; (S. 1943); (*Stephenson, Smart & Co.), 26 King Street, King's Lynn, and at Hunstanton.
 MACKEY, WILLIAM GAWEN; A.C.A., 1949; (Humble & Glenton), Post Office Chambers, St. Nicholas Street, Newcastle upon Tyne, 1.
 PRIOR, ALLEN JAMES, B.S.C.; A.C.A., 1937; 18 Ruden Way, Epsom Downs, Surrey.
 SHAW, HENRY, A.C.A., 1958; (S. 1952); (Lewis, Shaw & Co.), Fulwood House, Fulwood Place, High Holborn, London, W.C.1.
 SHORE, THOMAS HENRY; A.C.A., 1950; (Ralph Bevers & Co.), 49 & 50 Bradford Street, Walsall.
 TRANTER, HOWARD; A.C.A., 1939; Oxford Street, Oakengates, Shropshire.
 WILSON, WILLIAM ROY; A.C.A., 1958; (S. 1948); (Waller, Wilson & Co.), 27 Fitzroy Square, London, W.1, and at Potters Bar.

Admission to Membership

The following were admitted to membership of the Institute:

ALAFIA, YEKINNI SUBERU; A.C.A., 1958; c/o Nigerian Ports Authority, P.O. Box 2588, 216 Broad St., Lagos.
 ARMSTRONG, NORMAN ALBERT; A.C.A., 1958; with Harry L. Price & Co., 47 Mosley Street, Manchester, 2.
 AUSTIN KENNETH ROBERT; A.C.A., 1958; with J. Summerskill & Son, 37 Victoria Street, Liverpool, 1.
 BAKER, PETER REGINALD; A.C.A., 1958; with P. V. A. Oldak, 45 King's Road, Chelsea, London, S.W.3.
 BALDWIN, BARRY ANTHONY; A.C.A., 1958; with Russell & Mason, 139 Temple Chambers, Temple Avenue, London, E.C.4.
 BELL, JULIAN INGRESS; A.C.A., 1958; 11 King's Bench Walk, London, E.C.4.
 BRAKEN, PETER WILLIAM; A.C.A., 1958; 11 Salisbury Gardens, Basingstoke.
 BUCKLEY, MICHAEL LOUIS; A.C.A., 1958; 141 Walden Drive, Haworth Road, Bradford, 9.
 BUTLER, STANLEY MACLEOD; A.C.A., 1958; 21 William Road, Queens Park, Bournemouth.
 CARDOSI, RAOUL FLORINDO; A.C.A., 1958; with Kemp, Chatteris & Co., St. Swithin's House, Walbrook, London, E.C.4.
 CHALK, HARRY RAYMOND; A.C.A., 1958; with Baker, Sutton & Co., Eldon Street House, Eldon Street, London, E.C.2.
 CHEETHAM, JOHN HUMPHREY, B.A.; A.C.A., 1958; 50 Walton Road, Sale, Cheshire.
 CHILDS, ROGER; A.C.A., 1958; 11 Begonia Avenue, Rainham, Kent.
 §CLASEN, WILHELM GEORG; A.S.A.A., 1958; with Alexander, MacLennan, Trundell & Co., Sadler House, Sadler Street (P.O. Box 1968), Nairobi.
 COLLIER, WILLIAM JOHN RACSTER; A.C.A., 1958; with Howard Smith, Thompson & Co., Beaufort House, 96 Newhall Street, Birmingham, 3.
 §CONWAY-CRAGG, JOHN; A.S.A.A., 1958; with Greenwood, Poulton & Co., 7th Floor, Union House, Queen Victoria Street, Cape Town.
 CRAWLEY, JOHN TERENCE; A.C.A., 1958; 18 Birfed Crescent, Leeds, 4.
 DRAPER, DEREK GEORGE; A.C.A., 1958; "The Glen," Adsett, Westbury-on-Severn, Gloucestershire.

EGLESFIELD, BRIAN; A.C.A., 1958; 33 Mayfield Road, Sutton Coldfield, Warwickshire.
 sENOS, BENJAMIN; A.S.A.A., 1958; with Pannell, Crewdon & Hardy, Ghana Bank Chambers, P.O. Box 1219, Accra, Ghana.
 FITCH, RONALD; A.C.A., 1958; 114 Horton Road, Rusholme, Manchester, 14.
 GOOCH, ANTHONY JOHN; A.C.A., 1958; with Morison, Rutherford & Co., 20 Eastcheap, London, E.C.3.
 GROVES, MICHAEL; A.C.A., 1958; with A. G. Sayers, Seaton & Butterworth, 62 Brook Street, London, W.1.
 HARRIS, PETER; A.C.A., 1958; with Farr, Rose & Gay, 39-41 New Broad Street, London, E.C.2.
 HARRISON, EDWARD; A.C.A., 1958; with Jones, Hutchinson & Co., Seaton Buildings, Jameson Street, Hull.
 HART, NICHOLAS COLIN PRIESTLEY; A.C.A., 1958; Flat 3, 29 Biscot Road, Luton.
 HAWKINS, PETER JOHN; A.C.A., 1958; with Wright, Fairbrother & Steel, 42 Bedford Avenue, London, W.C.1.
 §HEDMANN, ROY EWART; A.S.A.A., 1958; 77 Beaverton Road, Richmond Hill, Ontario, Canada.
 HERMAN, FRANK EPHRAIM; A.C.A., 1958; 66 Farleigh Road, London, N.16.
 JACKSON, ROBERT DAVID; A.C.A., 1958; Mentley Farm, Puckeridge, Ware, Hertfordshire.
 JOHNSON, PETER WAKEFIELD, B.A.; A.C.A., 1958; with Curtis, Jenkins, Cornwell & Co., 44 Corn Street, Bristol, 1.
 JONAH, EPHRAIM SASSOON; A.C.A., 1958; with H. C. Rudolf & Co., Balfour House, Finsbury Pavement, London, E.C.2.
 KERR, JOHN FRANCIS EDWARD; A.C.A., 1958; 245 Warbreck Moor, Aintree, Liverpool, 9.
 §KOHLE, ANTHONY JOHN; A.S.A.A., 1958; Portman Road, P.O. Bryanston, Johannesburg, South Africa.
 §LAHIRI, PRANAB KUMAR; A.S.A.A., 1958; with P. K. Mitra & Co., P7, Mission Row Extension, Calcutta, 1, India.
 LANCASTER, GORDON; A.C.A., 1958; with Peat, Marwick, Mitchell & Co., 2 Park Place, Leeds, 1.
 ¶LANDAU, SIEBERT; A.C.A., 1958; (S. Landau & Co.), 25 Woodstock Road, London, N.W.11.
 LEWIS, REGINALD HARVEY; A.C.A., 1958; with Peat, Marwick, Mitchell & Co., National Bank Building, 24 Fenwick Street, Liverpool, 2.
 MARKLEW, STANLEY GORDON; A.C.A., 1958; 21 Coppice Side, Brownhill, Staffordshire.
 §MONU, GODFREY OBIORA; A.S.A.A., 1958; Flat B, 35 Glover Road, Ikoyi, Lagos, Nigeria.
 NORTH, BRIAN SAMUEL; A.C.A., 1958; 11 Lily Grove, Beeston, Nottingham.
 PEARSON, ANTHONY EDWARD; A.C.A., 1958; with Peat, Marwick, Mitchell & Co., 17 Eldon Square, Newcastle upon Tyne, 1.
 ROSS, PETER HERBERT ST. JOHN; A.C.A., 1958; with Baker, Todman & Co., Canada House, Norfolk Street, Strand, London, W.C.2.
 SEALE, MICHAEL JOHN; A.C.A., 1958; 60 Otter Street, Derby.
 SHERLOCK, PETER JOSEPH; A.C.A., 1958; with Thomas Eaves & Co., 140 The Albany, Old Hall Street, Liverpool, 3.
 SHIPPEN, EDGAR; A.C.A., 1958; 20 Churchill Street, Rosehill, Wallsend-on-Tyne, Northumberland.
 THOMAS, HENRY WILLIAM; A.C.A., 1958; with Moore, Stephens & Co., Bucklersbury House, Bucklersbury, London, E.C.4.
 THOMSON, GORDON; A.C.A., 1958; 6 Wolfenden Avenue, Bootle, 20, Lancs.
 §WHITCUTT, ERIC GRAEME; A.S.A.A., 1958; 38 Denbigh Road, Parkwood, Johannesburg, South Africa.
 WHITE, WILLIAM DENYS; A.C.A., 1958; 89 Cranworth Gardens, Brixton, London, S.W.9.
 WILLIAMS, BRIAN THORNLEY; A.C.A., 1958; 2 Llwynfedyd Gardens, Birchgrove, Cardiff.
 WINDOW, JOHN MCEWEN; A.C.A., 1958; with Barron, Bass & Co., Chanslor House, 37-38 Chancery Lane, London, W.C.2.

WOOD, MICHAEL WARBURTON, B.A.; A.C.A., 1958; with Robert A. Page & Co., Century Buildings, 19 Milton Street, Nottingham.
 WYATT, VICTOR JOHN; A.C.A., 1958; with Temple, Gothard & Co., 7/8 Norfolk Street, Strand, London, W.C.2.

Readmission to Membership

Subject to payment of the amounts required by the Council, two former members of the Institute were readmitted to membership under clause 23 of the Supplemental Royal Charter.

Incorporated Accountant Member becoming an Associate

The Council acceded to an application from the following incorporated accountant member for election as an associate under clause 6 of the Scheme of Integration referred to in clause 34 of the Supplemental Royal Charter:
 SHAW, RONALD (1958); A.S.A.A., 1955; 1141 Middleton Road, Chadderton, near Oldham, Lancashire.

Admission to Membership under the Scheme of Integration

The Council acceded to applications from 10 members of the Society of Incorporated Accountants for admission to membership of the Institute pursuant to the scheme of integration referred to in clause 34 of the Supplemental Charter. All the new members have been notified. The total number of members now admitted under the scheme is 10,033.

Subject to payment of the amounts required by the Council, the Council also acceded to applications from five former members of the Society of Incorporated Accountants for admission to membership of the Institute under clause 5 of the Scheme of Integration referred to in clause 34 of the Supplemental Royal Charter. Two such applications were refused.

Chairman of Committee

Mr. P. V. Roberts was appointed Chairman of the Finance Committee.

Appointments to Committees

Mr. G. G. G. Goult was appointed to membership of the District Societies and the Finance Committees.

Resignations

The Council accepted the resignation from membership of the Institute of:

EVERITT, (Miss) ESTHER BERYL, A.C.A., 25 Serpentine Road, Sevenoaks, Kent.
 TWEEDALE, HARRY, M.B.E., A.C.A., 50 Wilmslow Road, Cheadle, Cheshire.

§ Means "incorporated accountant member."

¶ Means "in practice."

Firms not marked † or * are composed wholly of members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

Registration of Articles

The Secretary reported the registration of articles of clerkship as follows:

	1958	1957
August to September	490	292
January to September	1,636	931

Change of Name

The Secretary reported that the following change of name had been made in the Institute's records:

HAYES, THOMAS JEFFREY LEWIS to CALVELLI-ADORNO, LUDWIG TYCHO, A.C.A.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

AIKMAN, KENNETH, A.C.A., Newcastle upon Tyne.
BEEVERS, SYDNEY, B.A., F.C.A., Leeds.
BEVERLEY, GEORGE, F.C.A., Carlisle.
BODINNAR, Sir JOHN FRANCIS, J.P., A.C.A., Calne.
BOWEN, RICHARD GREVILLE, F.C.A., Birmingham.
CROWE, ELIJAH SYDNEY, A.C.A., Otley.
CUFF, ROBERT TURNLEY, F.C.A., London.
CUNNINGHAM, DOUGLAS GLENCAIRN, A.C.A., Croydon.
EDWARDS, ROBERT EDWARD, F.C.A., West Kirby.
ETESON, LEONARD, F.C.A., Keighley.
GRAY, RICHARD SWIFT, F.C.A., Hornsea.
GREENSLADE, CHARLES FREDERICK ALEXANDER, A.C.A., Croydon.
GRIMSHAW, Sir WILLIAM JOSIAH, J.P., A.C.A., London.
HALSEY, BERNARD, A.C.A., Durban.
HIGGITT, WILLIAM WHALEY, A.C.A., Potters Bar.
HOOPER, ARNOLD, A.C.A., Leeds.
HUNT, ALFRED CORDELL, A.C.A., London.
LANGLEY, JOHN HARVEY, A.C.A., Cheltenham.
LEAN, ALFRED, A.S.A., Hove.
PEARCE, ALFRED WILLIAM, A.C.A., Croydon.
PEPPER, WILLIAM ARNOLD, F.C.A., London.
PIGOTT, REGINALD JOHN, F.C.A., Oxford.
REAVLEY, CHARLES WYNN, A.C.A., Pinner.
RODGER, THOMAS, F.C.A., Newcastle upon Tyne.
ROTH, DAVID, F.C.A., London.
SENINGTON, EDGAR TARR, F.C.A., Bristol.
SHARP, COLIN HAMMOND, F.C.A., Oldham.
SHEPHERD, EDWIN MASSINGHAM, M.A., A.C.A., Croydon.
STURGE, CHARLES, F.C.A., Worthing.
TANDY, FRANCIS WILLIAM, A.C.A., Surbiton.
THOMAS, OLIVER JOHN, A.C.A., Bexleyheath.
TOWERS, SAMUEL EDWARD, A.C.A., Upminster.
WESTON, CHARLES WINFIELD, A.C.A., Barton-on-Sea.

Finding and Decision of the Disciplinary Committee

Finding and Decision of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21, 1948, at a hearing held on August 6, 1958.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that a member of the Institute had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of Clause 21, sub-clause (3) of the supplemental Royal Charter in that (a) the annual subscription for the year

1958 due and payable by him to the Institute on January 1, 1958, was not received by the Institute until May 27, 1958; (b) he failed to ensure that sufficient funds were available in his bank account to meet the cheque for the sum of £4 4s. drawn by him in favour of the Institute in payment of the said subscription, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint had been proved under both headings and ordered that the member be admonished, but the Committee considered that there existed special circumstances justifying the omission of his name from the publication of the Finding and Decision.

Taxation and Research Committee

THE NINETY-EIGHTH meeting of the Taxation and Research Committee was held at the Institute on September 18.

Present

Mr. S. Dixon (in the Chair), Mr. R. D. R. Bateman, M.B.E., Mr. A. Blackburn, Mr. W. R. Carter, Mr. R. A. Chermide, Mr. J. B. L. Clark, C.B.E., Mr. L. H. Clark, Mr. H. O. H. Coulson, Mr. A. R. English, Mr. F. J. Eves, Mr. E. S. Foden, Mr. C. R. P. Goodwin, Mr. G. G. G. Goult, Mr. N. B. Hart, O.B.E., Mr. W. S. Hayes, Mr. G. N. Hunter, Mr. J. A. Jackson, Mr. S. Kitchen, Mr. E. N. Macdonald, D.F.C., Mr. R. P. Matthews, Mr. G. P. Morgan-Jones, Mr. A. H. Proud, Mr. J. D. Reekie, Mr. D. W. Robertson, Mr. A. G. Thomas, Mr. L. W. Underwood, Mr. D. T. Veale, Mr. J. W. Walkden, Mr. F. J. Weeks, Mr. E. K. Wright and Mr. G. H. Yarnell, with the Secretary.

Standing Sub-Committees

Reports were received from the following Standing Sub-Committees: General Advisory Sub-Committee, Management Accounting Sub-Committee, Taxation Sub-Committee, Planning Sub-Committee.

Ad hoc sub-committees

Reports were received from three special sub-committees.

Mr. Thomas Fleming Birch

The Committee recorded its great appreciation of the work of Mr. T. Fleming Birch as Chairman of the Committee for the year 1954/55, as Vice-Chairman for 1953/54, as a member since 1944 and as chairman and member of many sub-committees.

Membership

The following appointments to membership of the Committee for the year commencing October 1, 1958, were reported:

Nominated by the Council:

Mr. L. H. Clark, F.C.A., Mr. H. O. H. Coulson, F.C.A., Mr. S. M. Duncan, F.C.A.,

Mr. W. F. Edwards, A.C.A., Mr. A. R. English, A.C.A., Mr. W. S. Hayes, A.C.A., Mr. G. P. Morgan-Jones, M.A., F.C.A., Mr. L. Pells, M.A., F.C.A., Mr. D. W. Robertson, F.C.A., Mr. W. G. A. Russell, F.C.A., Mr. A. E. Spicer, B.A., F.C.A.

Nominated by District Societies' Committees:

Birmingham: Mr. S. Kitchen, F.C.A., and Mr. D. E. T. Tanfield, F.C.A.

Bristol: Mr. R. A. Chermide, F.C.A., and Mr. F. J. Weeks, A.C.A.

East Anglia: Mr. F. J. Eves, F.C.A., and Mr. G. G. G. Goult, F.C.A.

Hull: Mr. F. S. Mowforth, F.C.A., and Mr. H. C. Shaw, A.C.A.

Leeds: Mr. D. Steele, F.C.A., and Mr. D. T. Veale, M.A., F.C.A.

Leicester: Mr. J. D. Reekie, M.A., A.C.A., and Mr. J. W. Walkden, F.C.A.

Liverpool: Mr. E. N. Macdonald, D.F.C., F.C.A., and Mr. C. J. Peyton, A.C.A.

London: Mr. C. W. Aston, A.C.A., Mr. C. V. Best, F.C.A., Mr. J. A. Jackson, F.C.A., Mr. J. A. B. Keeling, D.F.C., M.A., A.C.A., Mr. R. P. Matthews, B.COM., F.C.A., and Mr. E. K. Wright, M.A., F.C.A.

Manchester: Mr. W. R. Carter, M.A., F.C.A., and Mr. C. F. Millard, B.A.(COM.), A.C.A.

Northern: Mr. H. Kirton, A.C.A., and Mr. A. Whittaker, F.C.A.

Nottingham: Mr. K. A. Buxton, F.C.A., and Mr. J. S. F. Hill, F.C.A.

Sheffield: Mr. A. G. Thomas, F.C.A., and Mr. T. S. Welch, A.C.A.

St. Eastern: Mr. C. R. P. Goodwin, F.C.A., and Mr. G. H. Yarnell, F.C.A.

St. Wales: Mr. R. P. Brown, A.C.A., and Mr. E. S. Foden, F.C.A.

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D. E. T. Tanfield, Mr. F. J. Weeks, Mr. T. S. Welch. *Recommended for co-option:* Mr. F. C. de Paula, Mr. J. D. Green, Mr. J. B. Prentice.

Taxation Sub-Committee:

The Chairman and Vice-Chairman of the Taxation and Research Committee (ex officio). Mr. C. W. Aston, Mr. W. R. Carter, Mr. J. Cartner, Mr. R. A. Chernside, Mr. L. H. Clark, Mr. A. R. English, Mr. E. S. Foden, Mr. G. G. G. Goult, Mr. N. B. Hart, Mr. J. A. Jackson, Mr. S. Kitchen, Mr. E. N. Macdonald, Mr. G. P. Morgan-Jones, Mr. L. Pells, Mr. A. H. Proud, Mr. W. G. A. Russell, Mr. D. Steele, Mr. J. W. Walkden, Mr. E. K. Wright. *Recommended for co-option:* Mr. J. E. Talbot, Mr. G. H. Vieler.

Chairman and Vice-Chairman

Mr. E. N. Macdonald, D.F.C., F.C.A., and Mr. A. H. Proud, A.C.A., were unanimously appointed Chairman and Vice-Chairman respectively of the Taxation and Research Committee for the year commencing October 1, 1958.

Mr. Stanley Dixon

A hearty vote of thanks was accorded to Mr. S. Dixon for his services as Chairman of the Committee during the year 1957/58.

Future Meetings

The next meeting of the Committee was fixed for Thursday, October 16, 1958, at 2 p.m. A meeting will also be held on Thursday, December 18, 1958, at 2 p.m.

Chartered Accountants' Benevolent Association

AT A RECENT meeting of the Executive Committee Sir William Carrington, F.C.A., the President of the Association, and eight members were present.

Applications for assistance

Six new applications for assistance were considered. In two cases a grant was made; a donation was given in one case as a preliminary measure, and in three cases no grant was made.

Further assistance

Twelve applications for further assistance were considered. In eight cases the grant was renewed; in three cases the grant was increased, and in one case consideration was deferred pending further enquiries.

Homes for old people

The Committee considered a number of enquiries from members as to whether places in the homes of Crossways Trust could be made available for their parents, parents-in-law or other aged relatives. It was decided that places in the homes must be limited to existing beneficiaries and to members and widows of members with limited means.

Institute Luncheon

THE PRESIDENT, Mr. W. L. Barrows, the Vice-President, Mr. C. U. Peat, and members of the Council of the Institute of Chartered Accountants in England and Wales gave a Luncheon on October 1 at the Hall of the Institute. Among the guests were the Lord Mayor of London, Sir Denis Truscott, Mr. Alderman and Sheriff Ralph E. Perring, Major Stanley W. Wells (Chief Commoner), Sir Irving Gane (City Chamberlain), Mr. W. E. Sykes (Chairman, Coal and Corn and Finance Committee), Mr. Leslie B. Prince (Chairman, Rates Finance Committee), Mr. Paul C. Davie (Remembrancer), Mr. R. S. Walker (City Surveyor), Mr. H. A. Mealand (City Planning Officer), Brigadier R. F. S. Gooch (Secretary to the Lord Mayor), Commander J. R. Poland (Swordbearer), Colonel J. Hulme Taylor (Common Cryer and Serjeant-at-Arms) and Captain G. M. Bennett (City Marshal).

District Societies

Leeds, Bradford and District

THE ANNUAL GOLF competition for the Blackburn Cup was held at Ganton Golf Club on September 12. Thirty-five members took part, including representatives from the Halifax, Huddersfield and York Groups. The competition resulted in a tie for first place between Mr. C. F. Beer and Mr. A. V. Flather, with the very good score of 41 points. Mr. C. F. Beer, who by a happy coincidence is this year's Captain of Ganton Golf Club, was the winner by virtue of his better score over the last nine holes. The cup was presented to him by the President of the District Society, Mr Gordon Hunter.

Liverpool

Formation of Isle of Man Branch

THE PRESIDENT and the Secretary of the Institute, Mr. W. L. Barrows, LL.D., J.P., F.C.A., and Mr. A. S. MacIver, M.C., B.A., flew from London to attend the inaugural meeting of the Isle of Man Branch of the Liverpool Society, held at Douglas on September 12. The President of the Liverpool Society of Chartered Accountants, Mr. J. F. Allan, F.C.A., took the chair at the meeting, which was attended by thirty-four members of the Institute and articled clerks. Mr. A. D. Walker, J.P., F.C.A., and Mr. Bertram Nelson, C.B.E., J.P., F.C.A. (members of the Council) and Mr. Stanley Morris, J.P., F.C.A. Hon. Secretary of the Liverpool Society, were also present.

Mr. J. B. Garside, F.C.A., read the report of the Provisional Committee and proposed: "That the members of the Institute of Chartered Accountants in England and Wales residing in the Isle of Man and present at this meeting hereby constitute themselves the Isle of Man Branch of the Liverpool Society of Chartered Accountants." The resolution was seconded by Mr. F. J.

Callow, A.C.A., and carried unanimously.

Mr. J. A. W. Manderson, F.C.A., proposed that Mr. J. B. Garside, F.C.A., be elected Chairman of the Branch. This was passed unanimously, and Mr. Garside replied briefly.

A ballot took place to fill the six places on the Committee and the following members were elected: Mr. J. W. Manderson, F.C.A., Mr. W. A. Crowe, F.C.A., Mr. F. J. Callow, A.C.A., Mr. J. G. Fargher, F.C.A., Mr. C. R. Ducker, A.C.A., Mr. J. B. Bolton, F.C.A.

The President of the Institute gave a most interesting address to the members of the new Branch. A vote of thanks to him was proposed by Mr. W. A. Crowe, F.C.A., and carried with acclamation.

The inaugural meeting was followed by a dinner at the Castletown Golf Links Hotel, attended by forty-eight people, including the following guests: His Excellency the Deputy Governor, Deemster S. J. Kneale, O.B.E.; Mr. G. E. Moore, H.M. Attorney General; Mr. E. R. St. A. Davies, M.B.E., Government Secretary; His Honour Ramsey G. Johnson, President, Isle of Man Law Society; Mr. A. E. Costain, Manager, Martins Bank; Dr. T. A. Groves, Medical Society; Mr. C. J. Kneen, Chartered Surveyor; Mr. A. L. Costain, F.I.M.T.A., Borough Treasurer, Douglas; Mr. F. G. H. Smith, Inspector of Income Tax; Mr. H. C. Wilkinson, Deputy Director of Education.

London

A residential Management Accounting Conference will be held at the Grand Hotel, Eastbourne, from the evening of March 12 to midday on March 14, 1959. The approach will be essentially practical, with emphasis on the small-scale concern.

Manchester and Liverpool

THE NINETEENTH JOINT residential course of the Manchester Society Joint Tuition Committee and the Liverpool Society Education Joint Committee was held at Burton Manor, Burton-in-Wirral, from September 19 to 26.

Intermediate and Final lectures were given on examination subjects. The evenings were generally left free or devoted to rather lighter fare, including a Brains Trust and a film.

The students who attended showed their appreciation, not only of the help in their studies but also of the opportunity to meet and exchange ideas with those from other centres and with other types of experience.

South Wales and Monmouthshire

THE AUTUMN MEETING of the South Wales and Monmouthshire Chartered Accountants' Golfing Society was held at the Royal Porthcawl Golf Club on September 19 and was attended by fifty members and visitors. The results were as follows:

Morning Medal Round. Captain's Cup (Principals): Winner, A. K. Bennett; runner-up, C. Montgomery Williams.

Deloitte Tankard (Students): B. W. Durrant.

Visitors: Winner, R. A. Livesey; runner-up, L. S. Dewar.

Afternoon Stableford Foursomes: Winners, J. M. Sant and C. A. Smart; runners-up, J. Buchanan and J. H. Lee Taylor.

Students' Societies

Students' Society of London

THE FIFTH SENIOR residential course of the London Students' Society was held at Balliol College, Oxford, from September 11 to 14. There were 183 students taking part, including nineteen from the Oxford Students' Society and two from Halifax. The subjects of the course were selected with the primary purpose of stimulating discussion and bringing articulated clerks together to enable them to feel and develop the sense of common professional purpose and responsibility. The degree of success attained was most encouraging.

The lectures were: "Taxation as a Means of Economic Control," by Mr. Jack Wisemen, B.Sc.(ECON.), Lecturer in Economics, University of London; "Information for the Board," by Mr. E. H. Davison, A.C.A., Treasurer, Courtaulds Ltd.; "The Economics of Industrial Relations," by Mr. Leonard Murray, B.A., Secretary, Research and Economics Dept., T.U.C.; "Auditing in Practice," by Mr. J. A. Jackson, F.C.A.; "The Valuation of Shares," by Mr. J. F. Shearer, O.B.E., F.C.A.

Each lecture was followed by lively discussion in groups—sometimes extending into the early hours of the next day. The lecturers took part in the group discussions and commented at later general meetings on points of general usefulness.

The President of the Students' Society, Mr. W. E. Parker, C.B.E., F.C.A., visited the course.

News from the Committee

The autumn session commenced on October 7 with the President's meeting at Guildhall, when the new Chairman of the Board of Inland Revenue, Sir Alexander Johnston, K.B.E., C.B., gave us some idea of the problems of "Looking after the Country's Money."

Before this, on October 2 and 4, members had the opportunity to attend the lectures at the Royal Festival Hall in the Institute's Autumn Meeting.

Residential Courses

Weekend courses in congenial surroundings are proving a popular and important part of the Society's activity. They provide excellent opportunities for discussion and fellowship, and the lectures are particularly appreciated by members who are unable to attend regularly the London meetings.

Arrangements for courses at Cambridge from April 9 to 12 and at Oxford from September 17 to 20, 1959, are now well under way and the Committee invite suggestions and criticism from members attending the recent course.

Social

An informal dinner was arranged for October 16 at the sign of the "King's Stores," Middlesex Street.

The Solicitors' Articled Clerks' Society invited our members to attend their autumn dance on October 8.

Arrangements for the Christmas dance at the Festival Hall on December 19 are almost complete. Double tickets will cost £2 15s. 0d. Members who attended this function last year will remember what an exceptionally gay and successful occasion it was.

Badminton

It was necessary to change the date and place of the badminton trials. These trials will now be held at Nine Elms Baths, Battersea, S.W.11, starting at 10 a.m. on Saturday, October 11. Bus routes No. 44 and 170 are (at the time of going to press) a useful means of reaching the baths.

Portsmouth and District Students' Society

MR. I. M. CHINNERY has been elected Honorary Secretary, and Mr. F. Harfield Assistant Secretary and Treasurer. The address of both is c/o Messrs. Edmonds & Co., Pearl Buildings, Commercial Road, Portsmouth.

Forthcoming Events

BEDFORD

November 15.—"Punched Card Accounting Technique" and "The Move to the Computer," by Mr. A. J. Thornley. Students' meeting. Swan Hotel, at 10 a.m.

BIRMINGHAM

District Society Meeting

November 4.—Luncheon meeting. "Twisted Talent," by Detective Chief Inspector Hinson. Imperial Hotel.

Students' Meetings

In addition to the students' lectures set out below, the following series of lectures have been arranged:

First year students (lecturer: Mr. H. W. Tuckey). At the University, Edmund Street, on Saturdays until November 15, at 9.30 a.m. *Intermediate students* (lecturers: Mr. S. C. Quint, Mr. H. W. Tuckey and Mr. J. N. McKenzie). At the University, Edmund Street, every Saturday at 10.30 a.m. and on November 22 also at 9.30 a.m.

Final Students (lecturers: Mr. B. W. Sutherland, Mr. D. S. Adams, Mr. W. H. A. Sutton). At the Chartered Auctioneers' and Estate Agents' Sale Room, every Saturday, at 9.30 and 10.30 a.m.

October 21.—"The Balance Sheet Audit," by Mr. K. S. Carmichael, A.C.A. Midland Hotel, New Street, at 6 p.m.

October 28.—"An Account of a Computer Installation in a Steel Company," by Mr. N. C. Pollock. Joint students' lecture

arranged by the Certified Accountants' Birmingham and District Students' Society. Chamber of Commerce, New Street, at 6.30 p.m.

November 4.—"A Newsman Abroad," by Mr. W. V. Reynolds, Editor, *The Birmingham Post and Mail*. The Library, 36 Cannon Street, at 6 p.m.

November 11.—"The History and Machinery of Lloyd's," by Mr. Albert C. Dabbs, F.S.A., retired Secretary of Lloyd's. The Library, 36 Cannon Street, at 6 p.m.

November 21.—Annual dinner of Birmingham Students' Society. Grand Hotel.

BOLTON

November 13.—Dinner of the Bolton Branch. Pack Horse Hotel, at 7 p.m. for 7.30 p.m.

BOURNEMOUTH

Students' Meetings

October 24.—"European Free Trade Area," and "Role of the Accountant in Financial Investigation," by Mr. C. R. Curtus. Grand Hotel, at 4.30 p.m.

November 14.—"Standard Costing," by Mr. V. S. Hockley. Grand Hotel, at 4.30 p.m.

BRADFORD

District Society Meeting

November 21.—"Considerations of a Banker in Granting Overdraft Facilities," by Mr. H. G. Hodder, of National Provincial Bank Ltd.

Students' Meetings

October 23.—"Partnership Accounts" and "Criticism of Accounts and Valuation of Goodwill," by Mr. K. S. Carmichael, A.C.A. Victorial Hotel, at 4.30 and 6.15 p.m.

October 30.—"Banks and the Creation of Money," by Mr. J. D. Moss, B.A.(COM.). Midland Hotel, at 6.15 p.m.

November 6.—"The Estate Duty Account" and "Developments in Auditing Practice," by Mr. R. Glynne Williams, F.C.A. Midland Hotel, at 4.30 and 6.15 p.m.

BRIGHTON

November 7.—Annual dinner of South Eastern Society.

Students' Meetings

All students' lectures will be given at the Technical College Annexe, St. George's Place, at 10.30 a.m.

October 18.—"The Preparation of Accounts from Incomplete Records," by Mr. D. H. Tonkinson, F.C.A.

October 25.—"Company Liquidations," by Mr. P. E. Whitworth, B.A.

November 1.—"Partnership Law," by Mr. O. Griffiths, M.A., LL.B., Barrister-at-Law.

November 8.—"Company Law," by Mr. R. D. Penfold, LL.B., Barrister-at-Law.

November 15.—"Cost Accounting," by Mr. F. T. Hunter, F.C.A.

November 22.—"Income Tax—Schedule A," by Mr. D. M. Arnold, A.C.A.

BRISTOL

District Society Meetings and Function

November 6.—Annual Dinner of the Bristol

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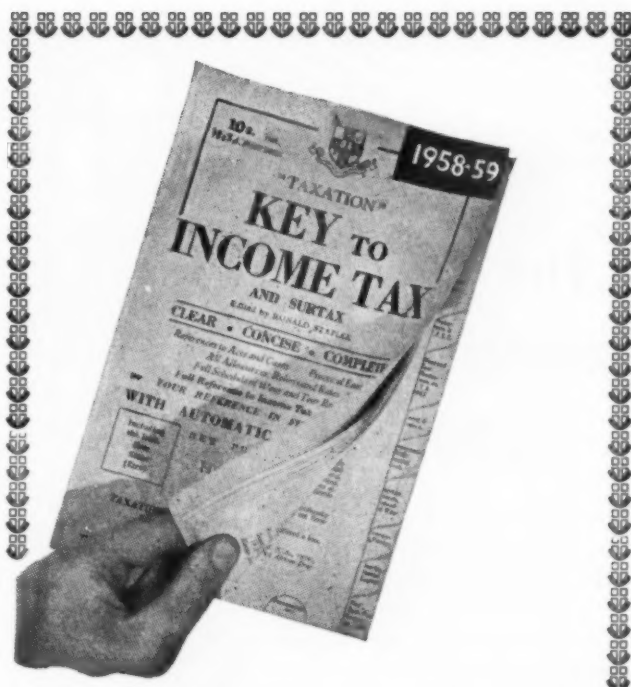
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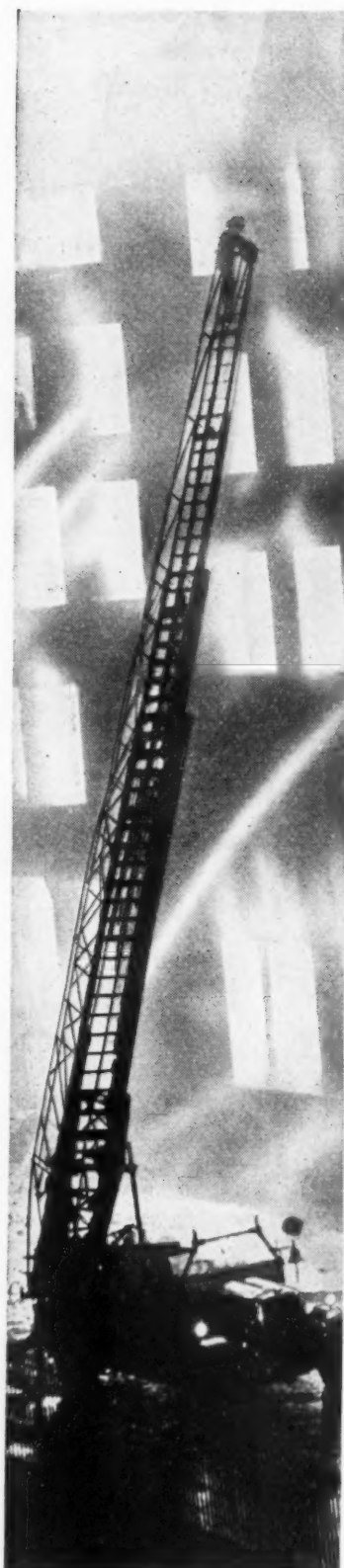
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and West of England Society. Royal Hotel, College Green.

November 20.—Meeting dealing with subjects of interest to members in industry which also concern the professional office. The Assize Courts Hotel, Small Street, at 6.30 p.m.

Students' Meetings

All students' lectures are given at Bristol University, Room 28.

October 24.—"Limited Company Audits including points on Group Accounts" and "Criticisms of a Balance Sheet," by Mr. W. W. Bigg, F.C.A. Final students' meeting. At 3.30 and 4.30 p.m.

October 31.—"Executorship Questions in the Examination," by Mr. A. C. C. Oddie, F.C.A., and "Accounting Questions in the Examination," by Mr. J. M. Higgison, A.C.A. Intermediate students' lectures. At 3.45 and 4.45 p.m.

November 7.—"The Accountant's Relationship with the Inland Revenue," by Mr. H. Gambier Roberts, Chairman of the Bristol Centre of the Association of H.M. Inspector of Taxes. Students' meeting. At 4 p.m.

November 14.—"Writing up Problems," by Mr. A. C. C. Oddie, F.C.A., and "Treatment of Losses—Examination Questions," by Mr. J. M. Higgison, A.C.A. Final students' lectures. At 3.45 and 4.45 p.m.

BURY ST. EDMUNDS

October 26.—Students' motor rally.

CAMBRIDGE

November 19.—"Income Tax," by Mr. K. S. Carmichael, A.C.A. Students' lectures. University Arms Hotel, Cambridge, at 11.30 a.m. and 2.30 p.m.

CARDIFF

Students' Meetings

All students' meetings, unless otherwise stated, will be held at the Institute of Engineers, Park Place.

October 18.—"Company Law—II," by Mr. D. Walters. At 9.30 a.m.

October 24.—"Accounts of an Executor, Equitable and Statutory Apportionments," by Mr. H. A. R. J. Wilson, F.C.A. At 2 p.m.

October 25.—"Legal Profession," by Mr. D. Walters. At 9.30 a.m.

October 31.—"Branch Accounts and Solicitors' Accounts," by Mr. K. S. Carmichael, A.C.A. At 2 p.m.

November 1.—"Company Law III," by Mr. D. Walters. At 9.30 a.m.

November 7.—"Profits Tax," by Mr. P. Spurway. At 2 p.m.

November 8.—"Income Tax—Partnership Assessments," by Mr. M. Phillips. At 9.30 a.m.

November 14.—Mock company meeting—conducted by Mr. C. R. Curtis. Park Hotel, Park Place.

November 21.—"Verification of Assets and Liabilities" by Mr. V. S. Hockley, C.A. At 2 p.m.

November 22.—"Personal Computation and Surtax," by Mr. M. Phillips. At 9.30 a.m.

CHELMSFORD

Students' Meetings

October 20.—"Negotiable Instruments," by Mr. O. Griffiths, LL.B. At 7 p.m.

October 30.—Whole-day course on Examination Difficulties. Lecturer, Mr. V. S. Hockley, B.COM., C.A.

November 14.—"The Duties and Formalities of a Liquidator in Creditors' Voluntary and Compulsory Liquidations," by Mr. A. R. Cork, F.C.A. At 7 p.m.

COVENTRY

Branch Meetings and Function

October 20.—Luncheon meeting. Speaker: Mr. W. B. Embleton, Manager of Lloyds Bank, Coventry. Chace Hotel, Willenhall, at 12.45 p.m.

October 23.—Banquet of the Coventry Area Branch. Hotel Leofric.

November 17.—Luncheon meeting. Speaker: Mr. V. N. Brailsford, J.P., Secretary of Coventry Chamber of Commerce. Chace Hotel, Willenhall, at 12.45 p.m.

Students' Meetings

Students' meetings are held at the "Golden Cross," Hay Lane, at 6 p.m.

October 27.—"Accounting by Electronic Methods," by Mr. B. W. Sutherland, A.C.A.

November 10.—"Fire Insurance," by Mr. J. L. Clifford, A.C.I.I., F.C.I.B.

DARLINGTON

November 19.—Annual dinner of North Yorkshire and South Durham Branch. Kings Head Hotel, at 7 for 7.30 p.m.

DERBY

Branch Meetings

October 22.—Luncheon meeting. Ramsden's Restaurant, at 12.30 p.m. for 1 p.m.

November 11.—Visit to George Fletcher & Co. Ltd.

EASTBOURNE

Students' Meetings

Meetings will be held at the Civil Defence Hall, Furness Road.

October 25.—"Statutory and Equitable Apportionments," by Mr. R. J. Carter, B.COM., F.C.A. At 10.30 a.m.

November 8.—"The Courts of Justice and the Administration of Law Generally," by Mr. T. F. Chatfield. At 10 a.m.

November 22.—"Costing," by Mr. W. C. Fenton, A.C.A., A.C.I.S. At 10 a.m.

GRIMSBY

October 20.—"Building Society Finance," by Mr. A. O. Thomson, C.A., Assistant General Manager, Halifax Building Society. Royal Hotel, at 7 p.m.

November 13.—Annual dinner of Grimsby and North Lincolnshire Branch. Royal Hotel, at 8 p.m.

HASTINGS

Students' Meetings

Meetings will be held at the Chatsworth Hotel, Carlisle Parade.

October 18.—"Practical Bankruptcy Procedure," by Mr. T. H. Parker, Official Receiver. At 10.30 a.m.

October 25.—"Law of Contract," by Mr. R. Boyes, LL.B. At 10.15 a.m.

November 1.—"Insurance and Consequential Loss of Profits," by Mr. D. W. Reeds. At 10.45 a.m.

November 8.—"Equitable Apportionments and Hotchpot," by Mr. R. Glynn Williams, F.C.A. At 10.45 a.m.

November 15.—"Capital Allowances and Schedule A," by Mr. D. B. Evans, A.C.A. At 10.45 a.m.

HUDDERSFIELD

Branch Meetings

October 23.—Luncheon meeting. Whiteley's Cafe, Westgate, at 12.30 p.m.

November 20.—Luncheon meeting. Whiteley's Cafe, Westgate, at 12.30 p.m.

Students' Meetings

October 18.—"Costing," by Mr. E. H. Illingworth.

November 8.—Visit to the Borough Treasurer's Department, Huddersfield Corporation, to see demonstration of Powers Samas punched card accounting.

HULL

Students' Meetings

October 31.—"Law of Contract" and "Company Law," by Mr. R. D. Penfold, LL.B. The Regal Room, Ferensway, at 4 p.m. and 6.15 p.m.

November 7.—"Inside a Tax Office," by Mr. H. C. Shaw, A.C.A., and "Reports as Auditor and Accountants," by Mr. R. G. Slack, M.A., F.C.A. The Regal Room, Ferensway, at 6.15 p.m.

November 21.—Ten minute papers. The Regal Room, Ferensway, at 6.15 p.m.

IPSWICH

November 3.—Tour of Messrs. Crane's Factory, at 2.30 p.m., followed by a lecture on "Costing" by Mr. S. C. Pinhorn, B.COM., A.C.A., at 6.30 p.m.

KESWICK

November 21.—Annual Ball of the Cumberland Branch of the Northern Society. Royal Oak Hotel.

KINGSTON-UPON-THAMES

November 3.—Meeting of South West London Discussion Group. The Kingston Hotel, Wood Street, at 6.45 p.m.

LEEDS

District Society Meetings and Function

October 24.—Annual Dinner. Queens Hotel, at 6.45 p.m. for 7.30 p.m.

October 31.—Luncheon meeting. Great Northern Hotel.

November 6.—"Works Study," by Mr. T. Marsland, B.COM. Lecture and discussion arranged by the Management Accounting Sub-committee. Great Northern Hotel, at 7 p.m.

Students' Meetings

All students' lectures will be given at the Great Northern Hotel.

October 22.—"Branch Accounts (including Foreign Exchange)" and "Schedule D

Cases I and II," by Mr. R. Y. Taylor, A.C.A. At 4.30 and 6 p.m.

October 29.—"Solicitors' Accounts" and "Accounts for Shareholders," by Mr. R. J. Carter, B.COM., A.C.A. At 4.30 and 6 p.m.

November 5.—"Auditing Problems" and "Management Accounting," by Mr. V. S. Hockley, B.COM., C.A. At 4.30 and 6 p.m.

LEICESTER

Students' Meetings

October 18.—"Did I Make a Contract?" by Mr. P. J. S. Green, LL.B. Pre-examination lecture. Board Room of the Trade Protection Society, New Street, at 10 a.m.

October 24.—"Consolidated Accounts," by Mr. K. S. Carmichael, A.C.A. Bell Hotel, at 6 p.m.

November 7.—"Claims for the Repayment of Tax," by Mr. P. A. Smith. Bell Hotel, at 6 p.m.

LIVERPOOL

Students' Meetings

October 21.—Visit to Cronton Colliery, Whiston.

October 30.—"Methods of Raising Money," by Mr. T. C. Roberts. The Library, 5 Fenwick Street, at 5 p.m.

November 7.—Visit to the Mersey Tunnel.

November 13.—"Effective Speech in Public," by Mr. J. Farrell. The Library, 5 Fenwick Street, at 5 p.m.

LONDON

Members' Meetings and Function

October 29.—Meeting of Taxation Discussion Group. The Cheshire Cheese, 10 Surrey Street, W.C.2, at 6 p.m.

November 12.—Meeting of Management Discussion Group. Samson, Clark & Co. Ltd., 57 Mortimer Street, W.1, at 6 p.m.

November 12.—Meeting of City Discussion Group. The Cock and Bottle, Laurence Pountney Hill, E.C.4, at 6.30 p.m.

November 13.—Meeting of the North London Discussion Group. The Mason's Arms, 38 Maddox Street, W.1, at 6.30 p.m.

November 17.—Luncheon of the London and District Society. Guest speaker Mr. Lionel Fraser, C.M.G., chairman of Hellbert, Wagg & Co. Ltd., Babcock and Wilcox Ltd. and Thomas Tilling Ltd. Connaught Rooms, Great Queen Street, W.C.2, at 12.30 for 1 p.m.

November 19.—Meeting of Central London Discussion Group. The Lamb and Flag, 33 Rose Street, Covent Garden, W.C.2, at 6.30 p.m.

Students' Meetings

October 20.—"Practical Aspect" Course. "Costing," by Mr. F. T. Hunter, F.C.A., F.C.W.A.: "The Work of Executors and Trustees," by Mr. M. W. Lockyer, A.I.B.: "The Accountant's Place in an Industrial Organisation," by Mr. E. H. Davison, A.C.A. (Treasurer, Courtauld's Ltd.): "Assurance and Insurance," by Mr. S. R. Fenwick, F.C.I.I. (Manager, Home Accident Dept., Prudential Assurance Co.). Incorporated Accountants' Hall, W.C.2, at 9.30 a.m.

October 20.—"The Place of the Bank of

England in the London Financial Centre," by Mr. R. A. O. Bridge (Deputy Cashier of the Bank of England). Caxton Hall, at 5.30 p.m.

October 21.—"Practical Aspect" Course. "The Practical View of Auditing," by Mr. J. F. Shearer, O.B.E., F.C.A.: "Banking Practice," by Mr. G. I. Williamson (Manager, Midland Bank, Overseas Branch) "Stock Exchange Practice," by Mr. P. Legge (member of the Stock Exchange), followed by a visit to the gallery of the Stock Exchange. Incorporated Accountants' Hall, at 9.30 a.m.

October 21.—Speakers' Course. "How to deliver a Speech," by Miss H. M. Taylor. Institute of Chartered Accountants, at 5.30 p.m.

October 22.—"Practical Aspect" course. "The Chartered Accountant and Accounting Mechanisation," by Mr. Kenneth G. Bishop, A.C.A. "The Finance of Foreign Trade," by Mr. P. J. Shaw (Assistant Manager, Midland Bank, Overseas Branch): "Economic Effects of Taxation," by Mr. A. R. Ilesic, M.Sc.(ECON.), B.COM.: "Receiverships and Bankruptcy Practice (including Deeds of Arrangement)," by Mr. Leslie Cork. Incorporated Accountants' Hall, at 9.30 a.m.

October 22.—Lecture and demonstration of keyboard accounting machines.

October 23.—"Practical Aspect" Course. "Building Societies' Finance," by Sir Bruce Wycherley, M.C., F.C.I.S. (Managing Director, Abbey National Building Society): "Accounting for Management," by Mr. W. S. Hayes, A.C.A. (Financial Director, J. & E. Hall Ltd.): "The Consolidation of Accounts in Practice," by Mr. E. D. McMillan, A.C.A. Incorporated Accountants' Hall, at 9.30 a.m.

October 23.—"The Fundamentals of Auditing," by Mr. F. R. Porter, F.C.A., F.C.W.A. Introductory course lecture. Incorporated Accountants' Hall, at 5.15 p.m.

October 24.—"The Basic Principles of Double Entry and Accounting Systems," by Mr. R. J. Carter, B.COM., F.C.A. (Secretary, London Students' Society), and "The Law and its Branches," by Mr. P. W. Medd, Barrister-at-Law. Introductory Course lectures. Incorporated Accountants' Hall, W.C.2, at 5.15 p.m.

October 27.—"Promoting a Bill in Parliament," by Mr. T. G. Seager Berry. Caxton Hall, at 5.30 p.m.

October 28.—"Angry young men are essential members of society." Practice debate. Institute of Chartered Accountants, E.C.2, at 5.30 p.m.

October 29.—Film, lecture and demonstration of Hollerith punched card and electronic accounting (limited number).

October 30.—"The Nature of the Items in a Profit and Loss Account and Balance Sheet," by Mr. F. R. Porter, F.C.A., A.C.W.A. Introductory Course lecture. Incorporated Accountants' Hall, at 5.15 p.m.

October 31.—"The Taxation System," by Mr. F. R. Porter, F.C.A., A.C.W.A. and "The Ownership and Control of a Business," by Mr. P. W. Medd, Barrister-at-Law.

Introductory course lectures. Incorporated Accountants' Hall, at 5.15 p.m.

November 3.—Visit to Ford Motor Works (limited number).

November 3.—Lunchtime meeting with members of the Committee. Incorporated Accountants' Hall, at 12.30 p.m.

November 3.—"Some Current Aspects of International Finance," by Mr. Leo T. Little, B.Sc.(ECON.), Editor of ACCOUNTANCY. Caxton Hall, at 5.30 p.m.

November 4.—Joint debate with the Solicitors' Articled Clerks Society: "This house regrets that a woman can't be more like a man." The Law Society's Hall, at 6 p.m.

November 5.—Film, lecture and demonstration of Powers-Samas punched card accounting (limited number).

November 6.—"The Conduct of a Typical Case in the Courts," by Mr. J. R. Phillips, Barrister-at-Law. Introductory Course lecture. Incorporated Accountants' Hall, W.C.2, at 5.15 p.m.

November 7.—"Records leading to the Items in Final Accounts," by Mr. F. R. Porter, F.C.A., A.C.W.A., and "Partnership Law," by Mr. P. W. Medd, Barrister-at-Law. Introductory Course lectures. Incorporated Accountants' Hall, at 5.15 p.m.

November 10.—Visit to the Royal Mint (limited number).

November 10.—Whole-day course (limited number). "Management Accounting," by Mr. F. T. Hunter, F.C.A., F.C.W.A., and "The Use and Misuse of Statistics." Film and demonstration of Powers-Samas punched card accounting.

November 10.—"Personal Investment Policy," by Mr. B. J. Davis, F.C.A. Caxton Hall, at 5.30 p.m.

November 11.—Mechanised Accounting Course. Final lecture and discussion by Mr. Dudley W. Hooper, M.A., A.C.A., Chief Organising Accountant, National Coal Board. Incorporated Accountants' Hall, at 5.30 p.m.

November 11.—"There is more harm than good in the public school system." Practice debate. Institute of Chartered Accountants, E.C.2, at 5.30 p.m.

November 13.—"Company Law," by Mr. P. W. Medd, Barrister-at-Law. Introductory Course lecture. Incorporated Accountants' Hall, at 5.15 p.m.

November 14.—"A General Introduction to Income Tax," by Mr. J. Kennedy Melling, A.C.A., and "The Law of Banking," by Mr. P. W. Medd, Barrister-at-Law. Introductory Course lectures. Incorporated Accountants' Hall, at 5.15 p.m.

November 17.—Visit to Ford Motor Works (limited number).

November 17.—"Is Polling Respectable?" by Dr. H. Durant, PH.D., Director, Gallup Poll. Caxton Hall, at 5.30 p.m.

November 18.—Joint debate with the Midland Bank Debating Society on "That 'perks' are pernicious." Institute of Chartered Accountants, at 5.30 p.m.

November 20.—"Bankruptcy, Liquidation and Receivership," by Mr. A. C. Staples.

Introductory Course lecture. Incorporated Accountants' Hall, at 5.15 p.m.

November 21.—"Taxable Income," by Mr. J. Kennedy Melling, A.C.A., A.T.I.I., F.E.ECON.S., and "The Law of Agreements and Damages," by Mr. A. C. Staples. Introductory Course lectures. Incorporated Accountants' Hall, at 5.15 p.m.

LUTON

October 24.—"Banking," by Mr. S. H. Birch, B.COM., B.SC.(ECON.), A.I.B., A.C.C.S. Students' meeting. Luton and South Beds. College, at 6.15 p.m.

MANCHESTER

District Society Meeting

October 27.—"The Chartered Accountants' Retirement Benefits Scheme and the Employees' Superannuation Scheme," by Mr. W. H. Clough, F.I.A., of Messrs. Bacon & Woodrow, London. Chartered Accountants' Hall, 46 Fountain Street, at 6 p.m.

Students' Meetings

In addition to the students' lectures set out below the following series of lectures have been arranged:

Intermediate lectures (lecturers, Mr. C. C. Hunt, Senior Inspector of Taxes, Mr. H. C. Cox, F.C.A., Mr. J. C. F. Bolton, B.A.(COM.), A.C.A.) on Saturdays until November 8. At the Onward Hall, 207 Deansgate, Manchester, at 9.30 a.m.

Final lectures (lecturers, Mr. W. Pickles, B.COM., F.C.A., Mr. C. C. Hunt, Senior Inspector of Taxes, Mr. J. C. Wood, LL.M., Mr. R. Y. Taylor, B.A., A.C.A.), every Saturday, at 9.30 a.m. At the Chartered Accountants' Hall, 46 Fountain Street.

October 23.—"Overdrafts: The Banker's Idea of Security," by Mr. G. Rhead, Controller, Staff Training Establishment Williams Deacons Bank Ltd. Chartered Accountants' Hall, 46 Fountain Street, at 6 p.m.

October 24.—Visit to a Spinning Mill of English Sewing Cotton Co. Ltd., at 11 a.m.

October 30.—"The Valuation of Assets for Estate Duty Purposes," by Mr. H. A. R. J. Wilson, F.C.A. Chartered Accountants' Hall, 46 Fountain Street, at 6 p.m.

November 6.—"Relations with H.M. Inspectors of Taxes," by Mr. N. G. Comber, H.M. Inspector of Taxes, Chartered Accountants' Hall, 46 Fountain Street, at 6 p.m.

November 13.—"Procedure and Practice in the High Court," by Mr. J. Stewart Oakes, Barrister-at-Law. Chartered Accountants' Hall, 46 Fountain Street, at 6 p.m.

November 20.—"The History and Functions of the Manchester Stock Exchange," by Mr. H. Richmond, F.C.I.S., Secretary, Manchester Stock Exchange. Stock Exchange, at 5.45 p.m.

November 21.—Visits to Stock Exchange, at 10.30 a.m. and 2.30 p.m.

NEWCASTLE UPON TYNE

Members' Function

November 14.—Annual Dinner of Northern Society. Old Assembly Rooms, Westgate Road.

Students' Meetings

October 25.—"Accounts 1," by Mr. R. Jack. Intermediate tuition lecture. The Library, Neville Hall, Westgate Road, at 9.30 a.m.

October 30.—"Rights and Duties of Trustees," by Mr. R. L. Purvis, LL.B. Neville Hall, at 6 p.m.

November 1.—"Accounts 1," by Mr. R. Jack. Final students' tuition class. The Library, Neville Hall, Westgate Road, at 9.30 a.m.

November 8.—"Law 1, (Executorship)," by Mr. C. D. Drake, M.A., LL.B., Barrister-at-Law. Intermediate students' tuition lecture. The Library, Neville Hall, Westgate Road, at 9.30 a.m.

November 13.—"The Money Market," by Mr. W. Snaith, B.SC.(ECON.). Neville Hall, at 6 p.m.

November 15.—"Taxation 1," by Mr. F. Stuart, A.C.A. Final students' tuition lecture. The Library, Neville Hall, Westgate Road, at 9.30 a.m.

November 22.—"Accounts 2," by Mr. R. Jack. Intermediate students' tuition lecture. The Library, Neville Hall, Westgate Road, at 9.30 a.m.

NORWICH

November 11.—"Work Study in the Office," by Mr. N. H. Wigginton, of Associated Industrial Consultants Limited. The Assembly House, Theatre Street, at 5 p.m.

OXFORD

Students' Meetings

October 22.—"Investment and Economic Trends," by Mr. M. P. Moss. Kemp Restaurant, Broad Street, at 6.30 p.m.

November 6 and 7.—Course of pre-examination lectures, by Mr. V. S. Hockley, B.COM., C.A. Royal Oxford Hotel.

November 19.—"The Framework of Accountancy," by Mr. J. M. S. Risk, C.A., F.C.W.A., F.C.I.S. Joint meeting with the Oxfordshire Group of the Institute of Cost and Works Accountants. Kemp Restaurant, Broad Street, at 6.30 p.m.

PLYMOUTH

Branch Meeting.

October 23.—"Modern Techniques in Auditing Practice," by Mr. R. Glynne Williams, F.C.A. Grand Hotel, at 6.15 p.m.

Students' Meeting

October 23.—"The Institute's Auditing Papers," by Mr. R. Glynne Williams, F.C.A. Grand Hotel, at 4.15 p.m.

PRESTON

The following series of students' lectures, to be given at the Masonic Hall, Saul Street, have been arranged by the Manchester Joint Tuition Committee:

Intermediate lectures (lecturers, Mr. J. C. Wood, LL.M., Mr. C. C. Hunt, Senior Inspector of Taxes, Mr. W. Pickles, B.COM., F.C.A.), on Saturdays until November 15, at 10 and 11.15 a.m.

Final lectures (lecturers, Mr. R. Y. Taylor, B.A., A.C.A., Mr. W. Pickles, B.COM., F.C.A., Mr. C. C. Hunt, Senior Inspector of Taxes,

Mr. J. C. Wood, LL.M.), every Saturday at 10 and 11.15 a.m.

SALISBURY

November 6.—"Mercantile Law—Its History and Development," by Mr. Spencer G. Maurice, LL.B. Students' meeting. Windover House, St. Ann Street, at 7 p.m.

SOUTHAMPTON

Students' Meetings

October 23.—"Case One Computations," by Mr. H. J. Wetherall. The Royal Hotel, Cumberland Place, at 6.30 p.m.

November 13.—"Branch Accounts," by Mr. V. S. Hockley, B.COM., C.A. The Royal Hotel, Cumberland Place, at 6.30 p.m.

STOCKTON

Branch Meeting

October 31.—"Business Investment," by Mr. E. H. Davison, A.C.A., Treasurer of Courtaulds Ltd. Black Lion Hotel, High Street, at 6 p.m.

Students' Meetings

November 4.—"How to Conduct a Case," by Mr. E. N. Marsham, Solicitor. Black Lion Hotel, at 6.15 p.m.

November 18.—"Costing and Budgetary Control," by Mr. R. Mott, F.C.W.A., A.C.I.S. Black Lion Hotel, at 6.15 p.m.

STOKE-ON-TRENT

Branch Meetings

October 21.—Talk on Oxford Summer Course, by Mr. A. B. Snow, F.C.A. North Stafford Hotel, at 6 p.m.

November 12.—Annual dinner. North Stafford Hotel, at 7 p.m. for 7.30 p.m.

SWANSEA

Students' Meetings

October 24.—"The Punch-Card System," by a representative of Powers-Samas. Gas Show Rooms, at 5.15 p.m.

November 5.—"What a Lending Banker looks for in Accounts," by Mr. H. G. Hodder. Lovell's Cafe, at 5.15 p.m.

November 20.—"Taxation in Partnerships," by Mr. V. S. Hockley. Lovell's Cafe, at 5.15 p.m.

TRURO

October 24.—"Modern Techniques in Auditing Practice," by Mr. R. Glynne Williams, F.C.A. Branch Meeting. Treleven's Restaurant, at 6.30 p.m.

October 24.—"The Institute's Auditing Papers," by Mr. R. Glynne Williams, F.C.A. Students' lecture. Treleven's Restaurant, at 4.30 p.m.

WESTCLIFF-ON-SEA

Students' Meetings

October 23.—"Partnership," by Mr. F. A. Waller, A.C.A. Queens Hotel, at 7.30 p.m.

November 13.—"Income Tax," by an Inspector of Taxes. Queens Hotel, at 7.30 p.m.

WOLVERHAMPTON

Branch Meeting and Function

October 29.—Annual Dinner Dance of the

Wolverhampton Branch of the Birmingham and District Society. Victoria Hotel, at 7.30 p.m.

November 17.—"What the Industrialist wants from Management Accounting," by Mr. George Boardman, Managing Director, Greenhalgh & Shaw Limited. Victoria Hotel at 6 p.m.

Students' Meeting

November 5.—"Profits Insurance," by Mr. G. B. Hatch, A.C.I.I. (The Liverpool and London Globe Insurance Co. Ltd.) Victoria Hotel, at 6 p.m.

WORCESTER

November 7.—"The Auditor's Duty in relation to Stock Figures," by Mr. A. C. Simmonds, F.C.A. Students' meeting. The Heraldic Room, Crown Hotel, Broad Street, at 7 p.m.

YORK

October 29.—Luncheon meeting. De Grey Rooms, at 1 p.m.

Chartered Accountants' Golfing Society

THE AUTUMN MEETING was held at North Hants Golf Club, Fleet, on September 25. Forty-five members took out cards. The results were as follows:

Singles: J. T. Isherwood, first prize; J. V. Wilson, second prize; D. H. R. Holland, scratch prize.

Foursomes: S. B. Pendock and I. S. Johnson, first prize; T. W. A. R. Auker and C. A. Chapman, second prize.

Turquand-Young Challenge Cup: best aggregate of summer meeting at Berkhamsted and autumn meeting at Fleet: winner, J. T. Isherwood; runner up, J. V. Wilson.

Singles Tournament: D. J. Hedges beat S. Pleydell-Bouverie in the final round.

Chartered Accountants' Hockey Club

A SEASON OF attractive fixtures has been arranged by the Chartered Accountants' Hockey Club. Any member of the Institute or articled clerk who is interested is invited to communicate with the Hon. Secretary, Mr. Wentworth L. Rowland, F.C.A., Cross Keys House, 56 Moorgate, London, E.C.2 (Monarch 3788), who will be pleased to supply all information on membership.

Personal Notes

Messrs. Thomas May & Co., Chartered Accountants, Leicester, announce that Mr. R. C. Bishop, A.C.A., who has been a member of the staff for fifteen years, has been admitted as a partner.

Mr. M. A. Baitup, A.C.A., secretary and chief accountant of the A. and S. Henry group, Manchester, has been appointed a

director of the parent company.

Messrs. Eric Phillips & Co., Chartered Accountants, London, S.W.3, announce that they have been joined in partnership by Mr. N. V. S. Nielsen, A.C.A., hitherto practising as Nielson & Co. The practices have been amalgamated and are being carried on under the name of Eric Phillips & Co.

Mr. N. G. Hanson, A.C.A., has been appointed secretary of S. & W. Berisford Ltd., Manchester.

Mr. H. S. Axton, A.C.A., formerly assistant secretary, has been appointed secretary and chief accountant of Midland Employers' Mutual Assurance Ltd., Birmingham.

Messrs. Smallfield, Rawlins & Co., Chartered Accountants, London, E.C.4, announce that Mr. F. N. Trew, A.C.A., has been admitted into partnership. The name of the firm is unchanged.

Messrs. Cooper Brothers & Co., Chartered Accountants, and Messrs. Coopers & Lybrand announce that they have taken into partnership in Liverpool Mr. J. B. Martin, A.C.A., and in Manchester Mr. A. V. J. More, A.C.A.

Mr. R. D. Halsall, A.C.A., has been appointed secretary to Scaffolding (Great Britain) Ltd., Mitcham, Surrey.

Messrs. Hunter, Smith & Earle, Trinidad, regret to announce the retirement of their London partner, Mr. S. H. Smith, A.C.A. Mr. G. W. A. Smith, A.C.A., has been admitted to partnership. The practice in Trinidad and the West Indies is being continued under the same firm name. Mr. Smith has also retired from the firm Hunter, Smith & Earle, Venezuela.

Messrs. Barnes, Dunn & Boughton, Chartered Accountants, London, E.C.2, regret to announce that after nearly fifty-two years with the firm Mr. R. C. Barnes, F.C.A., has retired from the partnership. He remains available as consultant to the continuing partners. The name of the firm is unchanged.

Mr. Harold Hooley, A.C.A., director and secretary of W. F. Stanley & Co., Ltd., London, S.E.9, has been appointed managing director.

Mr. G. L. Chick, F.C.A., Mr. K. H. Davies, A.C.A., and Mr. R. J. Mathias, A.C.A., have commenced to practise in partnership under the style of Chick, Davies and Mathias, Chartered Accountants, at 36 Windsor Place, Cardiff, and 77 Taff Street, Pontypridd, Glam. Mr. Chick's former practice as G. L. Chick & Co. has been merged with the new partnership.

Messrs. Littlejohn, Wilson, Knight & Co., Chartered Accountants, London, E.C.3, have admitted to partnership Mr. P. B. Milne, A.C.A.

The appointment taken up by Mr. S. J. Janes, A.C.A. (not Mr. S. J. James, as stated on page 494 of our September issue) is that of accountant to Barber Greene Olding & Co. Ltd.

Mr. W. G. Orriss, A.S.A.A., secretary to the Road Transport and General Insurance Co. Ltd., will retire on January 31, 1959, having reached normal pension age.

Removals

Mr. J. E. Clutterbuck, Chartered Accountant, has changed his address to 1328 High Road, Whetstone, London, N.20.

Messrs. Arthur J. Smith & Co., Chartered Accountants, have removed their offices to 8 Kew Road, Richmond, Surrey.

Obituary

Bernard Halsey

IT IS WITH regret that we report the death of Mr. Bernard Halsey, A.C.A., on July 26.

Mr. Halsey was born at Woodford, Essex, in 1886. He became a member of the Institute of Chartered Accountants in England and Wales in 1909, after being articled to the late Sir William Cash, of Cash, Stone & Co., and about 1911 went to Rhodesia to the offices of Messrs. Deloitte, Plender, Griffiths, Annan & Co. In 1914 Mr. Halsey was transferred to Durban in charge of the Durban office of that firm.

In 1919 he was admitted to membership of the Society of Incorporated Accountants. In the same year he started a practice on his own account in Durban, and he remained continuously in active practice until the date of his death. He was then in partnership under the firm name of Halsey, Button & Perry.

Mr. Halsey became a member of the Committee of the South African Eastern Branch of the Society of Incorporated Accountants in 1942, and in 1949 became Chairman of that Branch, a position he held until his death. The practice will be carried on by the surviving partners under the same name as formerly and from the same addresses in Durban, Johannesburg and Salisbury.

Edgar Tarr Senington

WE RECORD WITH regret the death on September 6 of Mr. E. T. Senington, F.C.A., senior partner in Messrs. E. T. Senington & Co., Bristol. He was fifty-two years of age.

Mr. Senington was admitted to the Institute in 1930, after serving articles with Messrs. Curtis, Jenkins, Cornwell & Co., and two years later began the practice which he continued until his death. He has been Bristol agent since 1934 of the Leek and Moorlands Building Society.

During World War II he served in the Royal Army Pay Corps, reaching the rank of Major. He was mentioned in despatches.

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Note: The Industrial Works at Dundee will be offered for Sale by Auction at The Royal Hotel, Dundee, on Tuesday, 4th November, 1958, at 11 a.m.

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